UTHUKELA

UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

Uthukela District Municipality
Unaudited Annual financial statements
for the period ended 30 June 2016

uThukela District Municipality
FREE STATE
Lesotho
Dannhauser
Endumeni
Emnambithi/Ladysmith
Ekuvukeni
Indaka
Maringa
Okhahlamba
Umtshezi
Umvoti
Imbabazane
Msinga
uMshwathi
uMngeni
Impendle
Legend
Major Rivers
National Roads
Provincial Roads
Major Dams
Settlements
Towns
Local Municipalities
Emnambithi/Ladysmith
Imbabazane
Indaka
Okhahlamba
Umtshezi
Conservation Areas
Locality map

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	The main business operations ot the municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the comminty: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from the Department of Water Affairs and distributed to the consumers by the municipality.
Municipal Demarcation Code	DC23
Executive Committee	
Mayor	Cllr D.C.P. Mazibuko (Ms.) Cllr T.E. Mchunu (Deputy Mayor) Cllr N.W. Sibiya (Ms.) Cllr A.S. Mazibuko Cllr S.A. Mvelase
Councillors	Cllr T.J. M.B. Jeebodh (Speaker) Cllr B.C. Mazibuko Cllr M.G Hlubi Cllr M.A. Mkhize Cllr Z.J. Sibisi Cllr T.P. Shabalala (Ms.) Cllr N.M. Hadebe Cllr S.B. Sibisi Cllr O.H.D. Sibaya (Ms.) Cllr N.M Hlomuka Cllr M.L. Zwane Cllr T.M. Cele Cllr B.R. Madonsela (Ms.) Cllr T. Xaba (Ms.) Cllr M.E. Mbatha Cllr N.L. Zikalala (Ms.) Cllr M.L. Mlotshwa Cllr S.D. Magubane Cllr K.A. Vilakazi Cllr B.C. Mabizela Cllr S.G. Sikhakhane (Ms.) Cllr M.W. Hadebe Cllr E.S. Ndumo Cllr T.Y. Nqubuka (Ms.) Cllr S. Simelane
Grading of local authority	Grade 4 Medium Capacity
Accounting Officer	S.N. Kunene
Chief Finance Officer	Ms. P.H.Z. Kubheka
Registered office	33 Forbes Street Ladysmith Tel: 036-6385100

General Information

	Fax: 036-6385126 municipalmanager@uthukeladm.co.za
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Ladysmith, 3370

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The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and Minister of Provincial and Local Government's determination in accordance with this act.

The unaudited annual financial statements set out on page1 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by him:

Accounting Officer
S.N KUNENE

Statement of Financial Position as at June 30, 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Inventories	8	5,546,962	5,217,027
Receivables from exchange transactions	9	4,398,513	4,172,090
Receivables from non-exchange transactions	10	6,024,781	5,827,080
Prepayments	7	33,000	556,012
Consumer debtors	11	143,360,258	124,087,951
Cash and cash equivalents	12	36,715,409	145,087,575
		196,078,923	**284,947,735**
Non-Current Assets			
Property, plant and equipment	4	1,913,594,549	1,785,634,547
Intangible assets	5	653,374	238,202
		1,914,247,923	**1,785,872,749**
Total Assets		**2,110,326,846**	**2,070,820,484**
Liabilities			
Current Liabilities			
Operating lease liability	35	378,853	634,124
Payables from exchange transactions	20	91,988,136	154,754,828
Other Accruals	21	42,685,813	14,791,777
Consumer deposits	22	11,885,907	10,473,849
Employee benefit obligation	6	878,943	899,126
Unspent conditional grants and receipts	16	467,541	6,999,029
VAT Payable	18	29,295,512	26,882,368
Purchase of office building	19	12,540,000	23,940,000
		190,120,705	**239,375,101**
Non-Current Liabilities			
Employee benefit obligation	6	26,438,620	12,494,245
Total Liabilities		**216,559,325**	**251,869,346**
Net Assets		**1,893,767,521**	**1,818,951,138**
Reserves			
Donations and public contributions	14	-	(465,190)
Accumulated surplus	15	1,893,767,521	1,819,416,328
Total Net Assets		**1,893,767,521**	**1,818,951,138**

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Service charges	24	158,263,646	131,332,038
Interest received - trading services	23	20,214,647	19,148,562
Other income	23	3,566,813	3,122,395
Other income - donations	23	-	6,438,651
Interest received - investment	23	11,991,453	9,072,588
Government grants & subsidies	23&25	568,331,256	607,994,895
Total revenue		**762,367,815**	**777,109,129**
Expenditure			
Employee related costs	28	(198,647,228)	(152,520,450)
Remuneration of councillors	29	(6,381,097)	(5,841,687)
Depreciation and amortisation	32	(49,197,065)	(45,537,144)
Finance costs	33	(1,125,317)	(2,465,418)
Lease rentals on operating lease	35	(7,156,798)	(6,614,870)
Debt Impairment provision	30	(57,975,475)	71,148,947
Bad debt written off	47	(40,227,875)	(166,368,274)
Repairs and maintenance	37	(28,822,389)	(34,497,407)
Bulk purchases	38	(1,639,239)	(5,660,554)
Contracted services	36	(65,268,423)	(39,498,939)
General Expenses	27	(218,314,407)	(180,784,122)
Total expenditure		**(674,755,313)**	**(568,639,918)**
Operating surplus		**87,612,502**	**208,469,211**
Gain (Loss) on disposal of assets		(1,231,708)	(2,464,113)
Inventories losses/write-downs		(344,075)	-
Gain (loss) on acturial valuations	6	(12,280,604)	(1,078,071)
		(13,856,387)	**(3,542,184)**
Surplus for the year		**73,756,115**	**204,927,027**

Statement of Changes in Net Assets

	Donations and public contributions R	Accumulated surplus R	Total net assets R
Balance at July 1, 2014	**223,453**	**1,606,616,594**	**1,606,840,047**
Changes in net assets			
Restated surplus for the year	-	204,927,027	204,927,027
Unidentified difference 2012/2013 financial year transfered to accumulated surpluses	-	(210,654)	(210,654)
Donated assets 2013/2014 financial year transfered to accumulated surpluses	(223,453)	223,453	-
Donated assets 2014/2015 financial year	(465,190)	-	(465,190)
Total changes	(688,643)	204,939,826	204,251,183
Opening balance restated	(465,190)	1,811,556,419	1,811,091,229
Adjustments			
Prior year (2014/2015) adjustments to PPE	-	7,859,909	7,859,909
Restated* Balance at July 1, 2015 as restated*	**(465,190)**	**1,819,416,328**	**1,818,951,138**
Changes in net assets			
Surplus for the year ending 30 June 2016	-	73,756,115	73,756,115
Movement in accumulated surplus account during 2015/2016	-	595,078	595,078
Donated assets 2014/2015 transfered to accumulated surpluses during 2015/2016	465,190	-	465,190
Total changes	465,190	74,351,193	74,816,383
Balance at 30June 2016	**-**	**1,893,767,521**	**1,893,767,521**

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Service charges		(77,247,782)	73,138,674
Grants		561,799,768	574,441,886
interest income		32,206,100	28,221,151
Other receipts		220,613,518	73,030,427
		737,371,604	748,832,138
Payments			
Employee and councillor costs		(217,308,929)	(159,440,208)
Suppliers and others		(449,618,821)	(247,413,602)
Finance costs		(1,125,317)	(2,465,418)
		(668,053,067)	(409,319,228)
Net cash flows from operating activities	39	**69,318,537**	**339,512,910**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(178,260,347)	(312,499,613)
Purchase of other intangible assets	5	(543,600)	(177,835)
Proceeds from sale of other intangible assets	5	(43,543)	-
Net cash flows from investing activities		**(178,847,490)**	**(312,677,448)**
Cash flows from financing activities			
Decrease in long term loan		-	(7,845,841)
Nett increase in other liability (Consumer Deposits)		-	1,083,730
Movement in other liability 2		1,412,058	-
Increase / (decrease) in finance lease liability		(255,271)	(1,540,102)
Net cash flows from financing activities		**1,156,787**	**(8,302,213)**
Net increase in cash and cash equivalents		**(108,372,166)**	**18,533,249**
Cash and cash equivalents at the beginning of the year		145,087,575	126,554,326
Cash and cash equivalents at the end of the year	12	**36,715,409**	**145,087,575**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	165,107,000	-	**165,107,000**	158,263,646	**(6,843,354)**	Note 1
Interest received	26,568,000	-	**26,568,000**	20,214,647	**(6,353,353)**	Note 2
Other income	356,000	-	**356,000**	3,566,813	**3,210,813**	Note 3
Interest received - investment	8,010,000	2,000,000	**10,010,000**	11,991,453	**1,981,453**	Note 4
Total revenue from exchange transactions	**200,041,000**	**2,000,000**	**202,041,000**	**194,036,559**	**(8,004,441)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants-Transfers recognised (capital)	556,311,000	(3,743,000)	**552,568,000**	568,331,256	**15,763,256**	Note 5
Total revenue	**756,352,000**	**(1,743,000)**	**754,609,000**	**762,367,815**	**7,758,815**	
Expenditure						
Personnel	(219,377,000)	-	**(219,377,000)**	(198,647,228)	**20,729,772**	Note 6
Remuneration of councillors	(5,332,000)	(814,000)	**(6,146,000)**	(6,381,097)	**(235,097)**	Note 7
Depreciation and amortisation	(51,430,000)	-	**(51,430,000)**	(49,197,065)	**2,232,935**	Note 8
Finance costs	(60,000)	60,000	-	(1,125,317)	**(1,125,317)**	Note9
Lease rentals on operating lease	-	-	-	(7,156,798)	**(7,156,798)**	Note 10
Bad debt provision	(28,222,000)	-	**(28,222,000)**	(57,975,475)	**(29,753,475)**	Note 11
Bad debt written off	-	-	-	(40,227,875)	**(40,227,875)**	Note 12
Repairs and maintenance	(59,605,000)	18,000,000	**(41,605,000)**	(28,822,389)	**12,782,611**	Note 13
Bulk purchases	(6,377,000)	841,000	**(5,536,000)**	(1,639,239)	**3,896,761**	Note 14
Contracted Services	(42,260,000)	(3,973,000)	**(46,233,000)**	(65,268,423)	**(19,035,423)**	Note 15
Government Grant Expenditure	(13,228,000)	-	**(13,228,000)**	-	**13,228,000**	Note 16
General Expenses	(154,661,000)	(4,473,000)	**(159,134,000)**	(218,314,407)	**(59,180,407)**	Note 17
Total expenditure	**(580,552,000)**	**9,641,000**	**(570,911,000)**	**(674,755,313)**	**(103,844,313)**	
Operating surplus	**175,800,000**	**7,898,000**	**183,698,000**	**87,612,502**	**(96,085,498)**	
Loss on disposal of assets and liabilities	-	-	-	(1,231,708)	**(1,231,708)**	Note 18
Actuarial gains/losses	-	-	-	(12,280,604)	**(12,280,604)**	Note 19
Inventories losses/write-downs	-	-	-	(344,075)	**(344,075)**	Note 20
	-	-	-	**(13,856,387)**	**(13,856,387)**	
Surplus before taxation	**175,800,000**	**7,898,000**	**183,698,000**	**73,756,115**	**(109,941,885)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**175,800,000**	**7,898,000**	**183,698,000**	**73,756,115**	**(109,941,885)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8,266,000	-	**8,266,000**	5,546,962	**(2,719,038)**	Note 21
Receivables from exchange transactions	12,503,000	-	**12,503,000**	4,398,513	**(8,104,487)**	Note 22
Receivables from non-exchange transactions	-	-	-	6,024,781	**6,024,781**	Note 23
Prepayments	-	-	-	33,000	**33,000**	Note 24
Consumer debtors from exchange transactions	320,315,000	-	**320,315,000**	143,360,258	**(176,954,742)**	Note 25
Cash and cash equivalents	47,030,000	-	**47,030,000**	36,715,409	**(10,314,591)**	Note 26
	388,114,000	**-**	**388,114,000**	**196,078,923**	**(192,035,077)**	
Non-Current Assets						
Property, plant and equipment	2,094,782,000	(58,166,000)	**2,036,616,000**	1,913,594,549	**(123,021,451)**	Note 27
Intangible assets	103,000	-	**103,000**	653,374	**550,374**	Note 28
	2,094,885,000	**(58,166,000)**	**2,036,719,000**	**1,914,247,923**	**(122,471,077)**	
Total Assets	**2,482,999,000**	**(58,166,000)**	**2,424,833,000**	**2,110,326,846**	**(314,506,154)**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	378,853	**378,853**	Note 29
Payables from exchange transactions	110,500,000	-	**110,500,000**	91,988,136	**(18,511,864)**	Note 30
Other accruals	-	-	-	42,685,813	**42,685,813**	Note 31
Consumer deposits	9,954,000	-	**9,954,000**	11,885,907	**1,931,907**	Note 32
Employee benefit obligation	-	-	-	878,943	**878,943**	Note 33
Unspent conditional grants and receipts	-	-	-	467,541	**467,541**	Note 34
Other liabilities (VAT payable)	13,846,000	-	**13,846,000**	29,295,512	**15,449,512**	Note 35
Other liabilities (purchase of office building)	-	-	-	12,540,000	**12,540,000**	Note 36
	134,300,000	**-**	**134,300,000**	**190,120,705**	**55,820,705**	
Non-Current Liabilities						
Provisions (Retirement benefit obligation)	12,925,000	-	**12,925,000**	26,438,620	**13,513,620**	Note 37
Total Liabilities	**147,225,000**	**-**	**147,225,000**	**216,559,325**	**69,334,325**	
Net Assets	**2,335,774,000**	**(58,166,000)**	**2,277,608,000**	**1,893,767,521**	**(383,840,479)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	2,335,774,000	(58,166,000)	**2,277,608,000**	1,893,767,521	**(383,840,479)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	107,678,000	(15,809,000)	**91,869,000**	(77,247,782)	**(169,116,782)**	
Grants	556,311,000	(3,743,000)	**552,568,000**	561,799,768	**9,231,768**	
Other receipts	358,000	-	**358,000**	220,613,518	**220,255,518**	
Interest income	13,324,000	-	**13,324,000**	32,206,100	**18,882,100**	
	677,671,000	**(19,552,000)**	**658,119,000**	**737,371,604**	**79,252,604**	
Payments						
Employee costs	(224,709,000)	5,332,000	**(219,377,000)**	(217,308,929)	**2,068,071**	
Suppliers and other	(262,904,000)	3,298,000	**(259,606,000)**	(449,618,821)	**(190,012,821)**	
Finance costs	(60,000)	60,000	-	(1,125,317)	**(1,125,317)**	
	(487,673,000)	**8,690,000**	**(478,983,000)**	**(668,053,067)**	**(189,070,067)**	
Net cash flows from operating activities	**189,998,000**	**(10,862,000)**	**179,136,000**	**69,318,537**	**(109,817,463)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(319,070,000)	58,166,000	**(260,904,000)**	(178,260,347)	**82,643,653**	
Proceeds from sale of property, plant and equipment	-	-	-	(43,543)	**(43,543)**	
Purchase of other intangible assets	-	-	-	(543,600)	**(543,600)**	
Net cash flows from investing activities	**(319,070,000)**	**58,166,000**	**(260,904,000)**	**(178,847,490)**	**82,056,510**	
Cash flows from financing activities						
Movement in other liability (consumer deposits)	413,000	-	**413,000**	1,412,058	**999,058**	
Movement in finance lease liabilty	-	-	-	(255,271)	**(255,271)**	
Net cash flows from financing activities	**413,000**	**-**	**413,000**	**1,156,787**	**743,787**	
Net increase/(decrease) in cash and cash equivalents	(128,659,000)	47,304,000	**(81,355,000)**	(108,372,166)	**(27,017,166)**	
Cash and cash equivalents at the beginning of the year	176,047,000	(30,959,000)	**145,088,000**	145,087,575	**(425)**	
Cash and cash equivalents at the end of the year	**47,388,000**	**16,345,000**	**63,733,000**	**36,715,409**	**(27,017,591)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

References to statement of comparison of budget and actual amounts

Statement of financial performance.

Note 1 - "Service charges" - Council did not achieve its target with regards to the budget on collection of service charges and has developed and implemented a revenue enhancement strategy to improve on the completeness of debtors and revenue collection. Field workers has been appointed to identify faulty meter which will be replaced during the 2016/2017 financial year. Consultants have been appointed whom has identified meters where no readings have been taken and meters which have been estimated over a period of time. Fualty meters will be replaced and all meters will be read during the 2016/2017 financial year.

Note 2 - "Interest Received" - As Council did not achieve its targets with regards to service charges budgeted for the targets set for interest on service charges were also not achieved.

Note 3 - "Other income" - Income was under budgeted. (budget was not realistic as it was based on previous trends).

Note 4 - "Interest received - investments" - Due to a positive cash flow situation during the year Council could invest more surplus funds therefore an increase on interest on investments.

Note 5 - "Government grants - transfers regognised" - This is as a result of 100% expenditure on grants which includes the roll over amounts from the 2014/2015 financial year.

Note 6 - "Employee related costs" - This is as a result of critical positions which were filled towards the second half of the financial year. Vacant positions were filled as per the approved organogram.

Note 7 - "Remuneration of Councillors" - Councillors recieved back pay during the 2015/2016 financial year as per the Government Gazette for Councillors upper limits dated December 2015.

Note 8 - "Depreciation and amortization" - Provision were made in the budget for the 2015/2016 financial year for the additional assets Council anticipated to purchased during the 2015/2016 financial year.

Note 9 - "Finance costs" - Council redeemed all DBSA loans and finance leases during the financial year. When the budget was compiled for the 2015/2016 financial year no provision was made for other bank charges.

Note 10 - "Lease rentals on operating leases" - This is a new line item on the statement of financial performance and was budgeted for under general expenditure. Going forward this line item will be budgeted for accourdingly.

Note 11 - "Provision for bad debt" - Collection of outstanding debt remains a challenge and with the increase in total outstanding debtors which were not anticipated the provision far exceeded the amount budgeted for.

Note 12 - "Bad debt Written off" - Council has implemented its indigent policy and indigent debt has been written off. This was not anticipated when the budget was compiled.

Note 13 - "Repairs and maintenance" - Council did not achieve their target on the maintenance of assets as the Asset and Maintenance Manager retired and there are no maintenance plan in place.

Note 14 - "Bulk purchases" - In the 2013/2015 financial year a provision was made in respect of bulk purchases however in the 2014/2015 financial year actual invoices received from DWA were paid. The budget therefore was not based on a provision but on anticipated actual billing from DWA. The expenditure reflected is based on actual invoices received from DWA in respect of the 2015/2016 financial year.

Note 15 - "Contracted services" - Council bought its own water tankers, however with the drought was forced to hire additional water tankers to be able to supply water to areas which have been affected. Council did not budget for the contractual appointments of additional water tankers therefore the increase in contracted services.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Note 16 - "Government grant expenditure" - Government grants is no longer disclosed as a seperate line item in the statement of financial performance. These expennditure Is included in the other line items in thestatement of financial performance.

Note 17 - "General Expenditure" - Were under budgeted for.

Note 18 - "Loss on disposal of assets and liabilities" - This was not budgeted for.

Note 19 - "Actuarial gain/losses" - This is as a result of the actuarial valuation on long service awards and post retirenment medical which was not budgeted for.

Note 20 - "Inventory losses / write downs" - This is the result of inventory losses which were not budgeted for.

Statement of financial position.

Note 21 - "Inventories" - Inventory items are no longer kept at the plants and all items required must be obtained from the stores. Due to the drought a number of reservoirs are dry and water stock as at 30 June 2016 is significant less than the previous financial year. As the budget was based on the trend of the 2014/2015 financial year inventory were over budgeted for.

Note 22 - "Receivables from exchange transactions" - more consumers were anticipated to open water accounts as developments are expanding all over the district. This however did not seem to realize.

Note 23 - "Receivables from non-exchange transactions" - mainly due to salary fraude.This was not budgeted for.

Note 24 - "Prepayments" - this is in respect of rental of offices and parking space paid in advance. This was not budgeted for.

Note 25 - "Consumer debtors from exchance transactions" - When the budget were prepared provision for bad debt were not accurately taken into account therefore variance between budget and actual amount.

Note 26 - "Cash and cash equivalents" - Was over budgeted for. The budget was based on the 2014/2015 financial year however the affects of the drought could not be anticipated. More water tankers had to be hired and funds had to be made available for new bore holes and bore hole refurbishment which were only parcially grant funded.

Note 27 - "Property plant & equipment" - The variance betweeen the budget and actual amount is due to over budgeting. One of the reasons was the depreciation for the current year.

Note 28 - "Intangable assets" - The variance is the result of the purchase of new computer software from Microsoft etc. which had to be paid in US dollars.

Note 29 - "Operating lease liability" - the liability in respect of rental of offices and parking space. This was not budgeted for.

Note 30 - "Payables from exchange transactions" - Consist of Trust funds, DWA accrual in respect of raw water purchases and increase in retentions on capital expenditure.

Note 31 - "Other accruals" - Consiste of leave pay and bonus accruals which were not budgeted for.

Note 32 - "Consumer deposits" - The variance is as a result of increases in consumer deposits due to non payment of outstanding debt and new connections.

Note 33 - "Employee benefit obligation" - In respect of post retirement medical aid and long service awards. Were not budgeted for.

Note 34 - "Unspent conditional grants and receipts" - Represents the unspent liability at financial year end 30 June 2016 not budgeted for.

Note 35 - "Other Liabilities 1" - Represents VAT payable and was under budgeted.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Note 36 - "Other Liabilities 2" - Represents the final payment due with regards to the purchase of the office building at 33 Forbes Street in Ladysmith.

Note 37 - " Provisions for retirement benefit obligation" - Medical aid and long service award obligation as at 30 June 2016 were under budgeted.

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2016											
Financial Performance											
Service charges	165,107,000	-	165,107,000	-		165,107,000	158,263,646		(6,843,354)	96 %	96 %
Investment revenue	8,010,000	2,000,000	10,010,000	-		10,010,000	11,991,453		1,981,453	120 %	150 %
Transfers recognised - operational	318,371,000	(3,743,000)	314,628,000	-		314,628,000	322,989,343		8,361,343	103 %	101 %
Other own revenue	26,925,000	-	26,925,000	-		26,925,000	23,781,460		(3,143,540)	88 %	88 %
Total revenue (excluding capital transfers and contributions)	**518,413,000**	**(1,743,000)**	**516,670,000**	-		**516,670,000**	**517,025,902**		**355,902**	**100 %**	**100 %**
Employee costs	(219,377,000)	-	(219,377,000)	-	-	(219,377,000)	(198,647,228)	-	20,729,772	91 %	91 %
Remuneration of councillors	(5,332,000)	(814,000)	(6,146,000)	-	-	(6,146,000)	(6,381,097)	-	(235,097)	104 %	120 %
Debt impairment	(28,222,000)	-	(28,222,000)			(28,222,000)	(57,975,475)	-	(29,753,475)	205 %	205 %
Depreciation and asset impairment	(51,430,000)	-	(51,430,000)			(51,430,000)	(49,197,065)	-	2,232,935	96 %	96 %
Finance charges	(60,000)	60,000	-	-	-	-	(1,125,317)	-	(1,125,317)	DIV/0 %	1,876 %
Materials and bulk purchases	(6,377,000)	841,000	(5,536,000)	-	-	(5,536,000)	(1,639,239)	-	3,896,761	30 %	26 %
Other expenditure	(269,755,000)	9,555,000	(260,200,000)	-	-	(260,200,000)	(359,789,892)	-	(99,589,892)	138 %	133 %
Total expenditure	**(580,553,000)**	**9,642,000**	**(570,911,000)**	-	-	**(570,911,000)**	**(674,755,313)**	-	**(103,844,313)**	**118 %**	**116 %**
Surplus/(Deficit)	**(62,140,000)**	**7,899,000**	**(54,241,000)**	-		**(54,241,000)**	**(157,729,411)**		**(103,488,411)**	**291 %**	**254 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	237,940,000	-	237,940,000	-		237,940,000	245,341,913		7,401,913	103 %	103 %
Surplus (Deficit) after capital transfers and contributions	**175,800,000**	**7,899,000**	**183,699,000**	-		**183,699,000**	**87,612,502**		**(96,086,498)**	**48 %**	**50 %**
Gain/Loss on actuarial valuations	-	-	-	-		-	12,280,604		12,280,604	DIV/0 %	DIV/0 %
Gain/Loss on disposal of assets	-	-	-	-		-	1,231,708		1,231,708	DIV/0 %	DIV/0 %
Inventories losses/write-downs	-	-	-	-		-	344,075		344,075	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**175,800,000**	**7,899,000**	**183,699,000**	-		**183,699,000**	**73,756,115**		**(109,942,885)**	**40 %**	**42 %**

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30 Years
Plant and machinery	Straight line	5 Years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 Years
Office equipment	Straight line	3-5 Years
IT equipment	Straight line	3 Years
Computer software	Straight line	3 years
Pumps	Straight line	15 Years
Reservoirs and tanks	Straight line	50 Years
Chemical tanks	Straight line	50 Years
Reinforced concrete clatifiers	Straight line	50 Years
Transformer high voltage	Straight line	50 Years
Transformer medium voltage	Straight line	45 Years
Laboratory equipment	Straight line	5 Years
Specialised vehicles	Straight line	5 Years
Water network	Straight line	20 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Patents, trademarks and other rights	30 years
Computer software, other	3 years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.5 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Accounting Policies

1.5 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.5 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from excange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and cash euivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Purchase of office building	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures has been reclassified to conform to changes in presentation in the current year.

Comparative figures in the Statement of Financial Position has been reclassified in respect of prior year adjustments.

Comparative figures in the Statement of Financial Performance have been reclassified in respect of prior year adjustments.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Accounting Policies

1.21 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the unaudited annual financial statements as the recommended disclosure when the unaudited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.23 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a goining concern for at least the next 12 months

	2016	2015

2. Changes in accounting policy

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. The following standards were adopted for the first time in the 2014 annual financial statements.

- Grap 1 (as reviced 2012): Presentation of financial statements
- Grap 3 (as revised2012): Accounting policies, changes in accounting estimates and errors
- Grap 9 (as revised 2012): Revenue from exchange transactions
- Grap 12 (as revised 2012): Inventories
- Grap 13 (as revised 2012): Leases
- Grap 17 (as revised 2012): Property, plant and equipment
- Grap 31 (as revised 2012): Intangible assets (Replaces Grap 102)
- IGrap 16: Intangible assets website costs
- Grap 20: Related parties
- IGrap1 (as revised 2012):Applying the probability test on initial recognition of revenue
- Grap 25: Employee benefits

3. New standards and interpretations

3.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2016 or later periods:

• GRAP 18: Segment Reporting	April 1, 2017
• GRAP 20: Related parties	April 1, 2017
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2016
• GRAP 108: Statutory Receivables	April 1, 2016
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2016
• GRAP 16 (as amended 2015): Investment Property	April 1, 2016
• GRAP 17 (as amended 2015): Property, Plant and Equipment	April 1, 2016
• GRAP 109: Accounting by Principals and Agents	April 1, 2017
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	April 1, 2017
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	April 1, 2017
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,037,872	-	1,037,872	1,037,872	-	1,037,872
Buildings	31,633,607	(1,464,628)	30,168,979	31,932,857	(495,408)	31,437,449
Infrastructure	2,154,645,931	(308,726,885)	1,845,919,046	1,981,759,317	(270,743,308)	1,711,016,009
Other property, plant and equipment	66,456,382	(29,987,730)	36,468,652	55,277,180	(15,776,458)	39,500,722
Leased assets	-	-	-	9,337,089	(6,694,594)	2,642,495
Total	**2,253,773,792**	**(340,179,243)**	**1,913,594,549**	**2,079,344,315**	**(293,709,768)**	**1,785,634,547**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1,037,872	-	-	-	-	1,037,872
Buildings	31,437,449	18,750	-	(318,000)	(969,220)	30,168,979
Infrastructure	1,261,027,774	3,675,428	-	229,681,264	(37,983,576)	1,456,400,890
Other property, plant and equipment	39,500,727	5,354,968	(1,188,166)	2,960,495	(10,159,383)	36,468,641
Leased assets	2,642,495	-	-	(2,642,495)	-	-
Other property plant and equipment "work in progress"	449,988,230	169,211,201	-	(229,681,264)	-	389,518,167
	1,785,634,547	**178,260,347**	**(1,188,166)**	**-**	**(49,112,179)**	**1,913,594,549**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1,037,872	-	-	-	-	1,037,872
Buildings	1,516,194	30,000,000	-	-	(78,745)	31,437,449
Infrastructure	1,189,084,061	-	(1,342,273)	111,120,985	(37,834,999)	1,261,027,774
Other property, plant and equipment	14,828,531	33,043,281	(1,201,476)	-	(7,169,609)	39,500,727
Leased assets	4,036,629	-	-	-	(1,394,134)	2,642,495
Other property, plant and equipment "work in progress"	311,652,883	249,456,332	-	(111,120,985)	-	449,988,230
	1,522,156,170	**312,499,613**	**(2,543,749)**	**-**	**(46,477,487)**	**1,785,634,547**

The amounts of R2,543,748 (2014/2015) and R1,188,166 (2015/2016) represents asset which could not be verified during the asset verification process and is awaiting Council resolution for write off.

Assets subject to finance lease (Net carrying amount)

Ancillary fleet equipment and security	-	2,642,495

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Other PPE	Total
Opening balance	449,988,230	449,988,230
Additions/capital expenditure	169,211,201	169,211,201
Transferred to completed projects (infrastructure)	(229,681,264)	(229,681,264)
	389,518,167	**389,518,167**

Work in progress represents capital projects which has not been completed at financial year end,

Once a project has been completed and a completion certificate has been issued work in pregress is transfered to infrastructure in the fixed asset register.

No depreciation is calculated on work in progress disclosed in the fixed asset register.

Reconciliation of Work-in-Progress 2015

	Included within Other PPE	Total
Opening balance	311,652,883	311,652,883
Additions/capital expenditure	243,017,681	243,017,681
Other movements (Bergville sewerage phase 2 donated by Okhahlamba Municipality)	6,438,651	6,438,651
Transferred to completed projects (Infrastructure)	(111,120,985)	(111,120,985)
	449,988,230	**449,988,230**

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	786,557	(133,183)	653,374	297,957	(59,755)	238,202

5. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	238,202	543,600	(43,543)	(84,885)	653,374

Reconcillation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	108,870	177,835	(48,503)	238,202

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

6. Employee benefit obligation

Post retirement medical aid plan and long service awards

Independant valuers, Arch Actuarial Consulting, carried out the statutary valuation.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation - post employment medical aid subsidies	(16,304,317)	(3,466,305)
Present value of the defined benefit obligation - long service awards	(11,013,246)	(9,927,066)
	(27,317,563)	**(13,393,371)**
Non-current liabilities	(26,438,620)	(12,494,245)
Current liabilities	(878,943)	(899,126)
	(27,317,563)	**(13,393,371)**

Changes in the present value of the post retirement medical aid plan obligation are as follows:

Opening balance	3,466,305	3,127,838
Net expense recognised in the statement of financial performance	12,838,012	338,467
	16,304,317	**3,466,305**

Net expense recognised in the statement of financial performance

Current service cost	190,794	166,809
Interest cost	293,265	271,297
Actuarial (gains) losses	12,497,257	11,517
Expected return on plan assets	(143,304)	(111,156)
	12,838,012	**338,467**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	12,497,257	11,517

Movement in the retirement medical aid obligation are as follows:

Opening balance	3,466,305	3,127,838
Current-service costs	190,794	166,809
Interest cost	293,265	271,297
Expected employer benefit payments	(143,304)	(111,156)
Actuarial (gain)/loss recognized	12,497,257	11,517
	16,304,317	**3,466,305**

The municipality expects to contribute R344,064 to its defined benefit plans in the 2016/2017 financial year and R373,863 in the 2017/2018 financial year.

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

6. Employee benefit obligation (continued)

Key assumptions used

The principal actuarial assumptions were as follows;

Discount rate	9.66 %	8.64 %
Health care cost inflation rate	8.66 %	7.94 %
Net discount rate - health care cost inflation	0.92 %	0.65 %
Maximum subsidy inflation rate	6.12 %	7.44 %
Net discount rate - maximum subsidy inflation	3.33 %	1.12 %

Examples of mortality rates used were as follows;

Retirement age and mortality	Age	Age
Average retirement age	65 Years	65 Years
Continuation of memebership at retirement	100%	100%
Proportion assumed married at retirement	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA(90) -2	PA(90) -2

Members withdraw from service: (average for males and females)

Average for males and females	Males	Females
Age 20	15%	24%
Age 30	7%	7%
Age 40	2%	2%
Age 50	0%	0%
Age 55	0%	0%

Long service awards

The municipality offers employees long service awards for every 5 years of service completed, from 10 years of service to 45 years of service, inclusive

Changes in present value of long service awards are as follows		
Value as at the beginning of the year	9,927,066	8,076,122
Increase in value of obligation	1,086,180	1,850,944
	11,013,246	**9,927,066**

Independent valuers, ARCH Actuarial Consulting, carried out the statutary valuations for the 2013/2014, 2014/2015 and 2015/2016 financial years.

The total liability has increased by 11% or (R1,086,180) during 2015/2016 due to the increase in salaries and more eligible employees.

The principal actuarial assumptions used were as follows

Rates	2016	2015
Discount rate	8.80%	8.23%
General salary Inflation	7.43%	7.22%
Net discount rate	1.27%	0.94%

The next actuarial valuation will be performed at the end of June 2017:

Examples of mortality rates	2016	2015

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
6. Employee benefit obligation (continued)		
Avarage retirement age	65	65
Pre-retirement mortality	SA 85-90	SA 85-90

Members withdrawn from services: (average for males and females.

Heading	Males	Females
Age 20	15%	24%
Age 25	10%	10%
Age 30	7%	7%
Age 35	4%	4%
Age 40	2%	2%
Age 45+	0%	0%

The amounts recognised in the statement of financial position were determined as follows;

Value	2016	2015
Present value of funded obligation	11,013,246	9,927,066
Fair value of plan assets	-	-
Liability in the statement of financial position	**11,013,246**	**9,927,066**

Movement in the long service obligation are as follows;	2016	2015
Balance at beginning of year	9,927,066	8,076,122
Current service costs	1,272,243	973,145
Interest cost	786,412	637,756
Benefit payments	(755,822)	(826,511)
Actuarial loss / (gain)	(216,653)	1,066,554
Balance at end of year	**11,013,246**	**9,927,066**

The amounts recognised in the statement of financial performance were as follows;

In conclusion.

Statement of financial position obligation	2016	2015
Long service award	11,013,246	9,927,066

Statement of financial performance obligation loss/gain	2016	2015
Long service award loss / (gain)	(216,653)	1,066,554

7. Prepayments

Rental in respect of offices and parking space is payable in advance.

Operating leases are disclosed in note 36.

Enambithi Construction CC - rental of offices	-	523,012
Dedekind Real Estate	33,000	-
Itabiri Investments - rental of parking space - Council vehicles	-	33,000
	33,000	**556,012**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

8. Inventories

Chemicals	692,414	983,521
Purified water stock	570,721	424,585
Stores	4,283,827	3,808,921
	5,546,962	**5,217,027**

9. Receivables from exchange transactions

Deposits	1,658,406	1,658,406
Sundry debtors	2,740,107	2,513,684
	4,398,513	**4,172,090**

10. Receivables from non exchange transactions

Receivebles from non exchange transactions	4,621,778	5,827,080
Other receivables from non exchange transaction	1,403,003	-
	6,024,781	**5,827,080**

Except for the salary fraude the municipality expects to realise these debtors within 12 months.

Receivables from non-exchange transactions (R4,621,778) includes an amount of R4,592,424 in respect of salary fraud.

The amount of R4,592,424 in respect of salary fraud is not included in employee related cost disclosed in the statement of financial performance.

Other receivables from non-exchange transactions (R1,403,003) includes a payment to the amount of R899,251 made to the Auditor General paid into the wrong bank account.

The payment made to the Auditor General was deposited into the account of a Mrs. Mashisi.

Mrs. Mashisi claims that the money was deposited into her loan account and she does not have access thereto.

Councils legal section has insituted legal action against Mrs. Mashisi to recover the money.

Refer to note 49 "Fruitless and wastefulll expenditure" for futher disclosure on salary fraud.

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
11. Consumer debtors		
Gross balances Water and sanitation	573,777,572	496,462,229
Less: Allowance for impairment Water and sanitation	(430,417,314)	(372,374,278)
Net balance Water and sanitation	143,360,258	124,087,951
Water		
Current (0 -30 days)	2,380,914	4,837,967
31 - 60 days	3,668,789	2,809,021
61 - 90 days	3,472,133	2,123,019
91 - 120 days	4,082,899	1,920,780
> 120 days	129,755,523	112,397,164
	143,360,258	**124,087,951**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

11. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	7,062,144	16,781,284
31 - 60 days	12,882,602	10,153,219
61 - 90 days	12,197,257	7,982,590
91 - 120 days	14,604,818	6,246,656
> 120 days	504,341,572	433,029,541
	551,088,393	474,193,290
Less: Allowance for impairment	(413,397,103)	(355,673,372)
	137,691,290	**118,519,918**
Industrial/ commercial		
Current (0 -30 days)	968,677	1,069,389
31 - 60 days	302,743	447,122
61 - 90 days	201,001	333,949
91 - 120 days	237,941	649,883
> 120 days	8,982,256	13,109,209
	10,692,618	15,609,552
Less: Allowance for impairment	(8,021,031)	(11,706,604)
	2,671,587	**3,902,948**
National and provincial government		
Current (0 -30 days)	1,498,424	1,498,424
31 - 60 days	1,498,424	634,131
61 - 90 days	1,498,424	355,922
91 - 120 days	1,498,423	785,480
> 120 days	6,002,866	3,385,429
	11,996,561	6,659,386
Less: Allowance for impairment	(8,999,180)	(4,994,301)
	2,997,381	**1,665,085**
Total		
Current (0 -30 days)	9,529,245	19,349,097
31 - 60 days	14,683,768	11,234,473
61 - 90 days	13,896,682	8,672,462
91 - 120 days	16,341,183	7,682,019
> 120 days	519,326,694	449,524,178
	573,777,572	496,462,229
Less: Allowance for impairment	(430,417,314)	(372,374,278)
	143,360,258	**124,087,951**
Less: Allowance for impairment		
Current (0 -30 days)	(7,148,331)	(14,511,129)
31 - 60 days	(11,014,979)	(8,425,452)
61 - 90 days	(10,424,549)	(6,549,444)
91 - 120 days	(12,258,283)	(5,761,239)
> 120 days	(389,571,172)	(337,127,014)
	(430,417,314)	**(372,374,278)**

	2016 R	2015 R

11. Consumer debtors (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(372,374,278)	(441,100,619)
Contributions to allowance	(58,043,036)	67,536,493
Debt impairment written off against allowance - Limehill debtors	-	1,189,848
	(430,417,314)	**(372,374,278)**

At the end of June 2015 (2014/2015 financial year) consumer debtors amounted to R496,462,229 and a provision for bad debt was made to the amount of R372,374,278 with nett debtors being R124,087,951.

At the end of June 2016 (2015/2016 financial year) consumer debtors amounted to R573,777,572 and a provision for bad debt was made to the amount of R430,417,314 with nett debtors being R143,360,258.

Fair value of consumer debtors

Consumer debtors	143,360,258	124,087,951

The municipality performed its own exercise in terms of Grap 104 to establish;
1. How much of the debt is recoverable
2. When will this amount be recovered
3. And the present value of the debt that is to be recovered

By using the above measures the impairment provision calculated is R372,374,278 as at 30 June 2015 and R430,417,314 as at 30 June 2016.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	12,100	12,100
Cash Bank	1,507,806	41,689,016
Short-term deposits	35,195,503	103,386,459
	36,715,409	**145,087,575**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
FNB current account 62252306280	903,858	41,181,646	25,071,495	903,858	41,181,646	25,052,921
FNB current account 62253072385	-	-	-	603,948	507,370	(834,040)
FNB business money account 62283176644	250,625	239,080	229,455	-	-	-
FNB call account 62402906484	-	16,847	22,090,980	-	-	-
FNB short term deposit account 74448698347	-	22,325,074	25,567,497	-	-	-
FNB short term deposit account 74448699204	-	4,823,758	4,559,571	-	-	-
FNB short term deposit account 74448700168	-	-	6,440,900	-	-	-
FNB short term deposit account 74448701124	-	-	5,874,018	-	-	-
FNB short term deposit account 74509856587	-	41,348,746	-	-	-	-
FNB short term deposit account 62600579679	173,035	-	-	-	-	-
FNB short term deposit account 62600812102	390,949	-	-	-	-	-
Nedbank call deposit account 7881108134	509,176	479,904	455,464	-	-	-
Nedbank call deposit account 7881108142	35,498	33,457	31,753	-	-	-
Nedbank call deposit account 7881108150	38,427	36,218	34,374	-	-	-
Nedbank call deposit account 7881108185	181,252	170,832	162,132	-	-	-
Nedbank call deposit account 7881108207	121,295	114,321	108,499	-	-	-
Nedbank Call deposit account 7881108215	12,124	11,427	10,845	-	-	-
Nedbank call deposit account 7881108223	702	662	628	-	-	-
Nedbank call deposit account 7881108258	15,627	14,728	13,978	-	-	-
Nedbank call deposit account 7881108266	425,181	400,738	380,329	-	-	-
Nedbank call deposit account 7881108274	935	881	836	-	-	-
Nedbank call deposit account 7881108282	6,613	6,233	5,915	-	-	-
Nedbank call deposit account 7881113375	2,027,746	1,903,475	-	-	-	-
Nedbank call deposit account 7881006110	10,685	-	-	-	-	-
Investec call deposit account 50007868808	1,383,438	1,303,904	26,999,882	-	-	-
Investec call deposit account 50007609828	6,862,382	6,467,861	6,138,473	-	-	-
Investec call deposit account 50007621328	934,315	880,601	835,755	-	-	-

Notes to the Unaudited Annual Financial Statements

				2016 R		2015 R
12. Cash and cash equivalents (continued)						
Investec call deposit account 50007621342	24	24	24	-	-	-
Investec call deposit account 50007621374	123,863	116,742	110,797	-	-	-
Investec call deposit account 50008183042	20,654,510	21,713,468	-	-	-	-
Investec call deposit account 50008274324	1,037,101	977,478	-	-	-	-
Absa call deposit account 9290741801	-	-	39,709	-	-	-
Absa Call deposit account 9290742506	-	-	370,394	-	-	-
Absa call deposit account 9290743609	-	-	35,507	-	-	-
Absa call deposit account 9090743895	-	-	269,549	-	-	-
Absa call deposit account 9290744299	-	-	61,528	-	-	-
Absa call deposit account 9290744443	-	-	115,831	-	-	-
Absa call deposit account 9290744655	-	-	69,826	-	-	-
Absa call deposit account 9290745025	-	-	17,520	-	-	-
Absa call deposit account 9290739945	-	-	11,094	-	-	-
Absa call deposit account 9290740295	-	-	130,665	-	-	-
Absa call deposit account 9290740902	-	-	40,569	-	-	-
Absa call deposit account 9290749524	-	-	110,700	-	-	-
Absa call deposit account 9290740627	-	-	946,223	-	-	-
Absa call deposit account 9290741186	-	-	3,569	-	-	-
Absa call deposit account 9290744118	-	-	12,332	-	-	-
Absa call deposit account 9290744809	-	-	41,224	-	-	-
Total	**36,099,361**	**144,568,105**	**127,399,840**	**1,507,806**	**41,689,016**	**24,218,881**

Investments were done in terms of the MFMA, Chapter 3, Part 2, section 13 "Cash Managements and Investments"

Interest was earned at an avarage interest rate of **6.1%** for the period ending 30 June 2016.

13. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant group of assets as reflected in appendix B "analysis of property, plant and equipment".

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

. **Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity (continued)**

Description of the asset(s), group of assets and liabilities or, component

The following disposals have been identified R3,874,041 (2015/2016) and R7,233,548 (2014/2015).

Values at cost		
Value of a group of assets (water purification)	-	2,797,852
Value of a group of assets (sewerage purification)	-	507,500
Value of a group of assets (vehicles)	2,934,901	945,357
Value of a group of assets (plant & equipment)	-	300,750
Value of a group of assets (computer equipment)	437,771	2,048,068
Value of a group of assets (furniture & fittings)	148,600	203,815
Value of a group of assets (office equipment)	309,226	340,371
Value of a group of assets (computer software)	43,543	-
Value of a group of assets (radio equipment)	-	86,560
Value of a group of assets (lawnmowers)	-	1,275
Value of a group of assets (other)	-	2,000

Further approvals required

Council approval must be obtained in respect of the above disposals.]

The expected sale or transfer date is Wednesday, November 30, 2016

14. Donations and public contributions

The donations disclosed refers to PPE which were donated to the Municipality during the 2014/2015 financial year.

Okhahlamba Municipality donated the Bergville sewerage project to the municipality as work in progress during the 2014/2015 financial year.

The value of the asset which was transfered amounts to R6,438,651 which is disclosed in the statement of financial performance for the 2014/2015 financial year and the retention recognized R465,190 is disclosed in the statement of financial position for the 2014/2015 financial year.

The retention was transfered to accumulated surpluses in the 2015/2016 financial year.

Bergville sewerage - donated during the 2014/2015 financial year	-	(465,190)
Transfered to accumulated surpluses in 2015/2016	-	-
	-	**(465,190)**

15. Accumulated surplus

	Accumulated surplus account	Total
Opening balance	1,819,416,328	1,819,416,328
Movement in accumulated surplus account during 2015/2016	595,078	595,078
Operating surplus / (defecit) as at 30 June 2016	73,756,115	73,756,115
	1,893,767,521	**1,893,767,521**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

15. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Accumulated surplus account	Total
Opening balance	1,606,616,594	1,606,616,594
Re statement of property, plant and equipment in respect of 2014/2015 financial year	7,859,909	7,859,909
Donated property, plant and equipment 2013/2014 financial year transfered to accumulated surpluses	223,453	223,453
Operating surplus / (defecit) for the year ending 30 June 2015	204,927,026	204,927,026
Unidentified difference 2012/2013 financial year transfered to accumulated surplus	(210,654)	(210,654)
	1,819,416,328	**1,819,416,328**

16. Unspent conditional grants and receipts

Unspent conditional grants are disclosed as a current liability on the statement of financial position.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural Household Infrastructure	-	1,435,021
Masibumbaneni Co-op	-	305,993
KZN Infrastructure Sportsfields	-	33,964
LGSETA Training Grant	195	83,680
Water Services Oprtating Grant	-	742,512
IGR Grant	-	98,126
Distric Disaster Centre	-	1,393,461
KZN Backlog Study	-	14,197
KZN DPSS	451,303	881,034
Environmental Management Plan	-	61,859
Rural Road Asset Management Grant	16,043	-
Water infrastructure maintenance	-	270,417
District Disaster Relief	-	1,678,765
	467,541	**6,999,029**

Movement during the year

Balance at the beginning of the year	6,999,029	40,552,038
Additions during the year	276,338,765	286,487,451
Income recognition during the year	(282,870,253)	(320,040,460)
	467,541	**6,999,029**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Other financial liabilities - Development Bank of South Africa

The municipality has redeemed all the Development Bank loans in full during the 2014/2015 financial year and the municipality is therefore free from all loans which were taken up in respect of capital development.

	2016 R	2015 R

17. Other financial liabilities - Development Bank of South Africa (continued)

The municipality has not taken up any new loans and there are no oustanding loand in the 2015/2016 financial year.

18. Vat Payable

Vat payable to SARS	29,295,512	26,882,368

The municipality is on a payment bases for VAT purposes. The vat payable is a result of the unpaid debt due by municipal consumers. The amount will only be payable to SARS on receipt of payments received from consumers.

Returns have been submitted to SARS which are in favour of the municipality and have been included as part of the receivables as at 30 June 2016.

The municipality has appointed OMA Charted Accountants to perform a VAT audit. They are in the process of reconciling input and output VAT as from the 2009/2010 financial year and are making adjustments to VAT returns submitted where necessary.

VAT returns are up to date.

19. Purchase of office building

The Municipality has entered into a sale agreement with Enambithi Construction CC to purchasing the office building which it is currently occupying at 33 Forbes Street / 36 Lyell Street. in Ladysmith.

The purchase price agreed upon was R30,000,000 excluding VAT and it was agreed that it will be paid in three instalments.

The fist instalment of R9,000,000 excluding VAT was due and payable on the 30th of June 2015.

The second instalment of R10,000,000 plus Vat was due and payable on the 30th of September 2015 and the third and final payment of R11,000,000 plus VAT was due and payable on the 30th of November 2015.

The instalments which was due on the 30th of November 2015 is reflected as a current liability in the statement of financial position.

The final instalment which was due on the 30th of November 2015 has been held back .

The building is included in property, plant and equipment in the statement of financial position for the amount of R30,000,000.

Purchase of office building		
Current liability in respect of the payment which was due to Enambithi Construction on the 30th of November 2015	12,540,000	23,940,000

20. Payables from exchange transactions

Trade payables	54,522,785	104,810,871
Department of water affairs (DWAF) Accrual	13,090,689	24,926,703
Trust funds- late estates	5,673,230	3,134,284
Retentions	18,084,621	21,310,335
Debtors refunds	59,655	61,296
Sundry creditors	557,156	511,339
	91,988,136	**154,754,828**

	2016 R	2015 R

20. Payables from exchange transactions (continued)

Fair value of trade and other payables

Trust Funds - estate lates	-	-
Estate late N.M. Khumalo	19,008	17,913
Estate late J. Shabalala	132,091	124,497
Estate late F.N. Nhlebela	16,492	15,543
Estate late P.B. Vilakazi	57,977	54,644
Estate late Z.G. Mvelase	7,315	6,895
Estate late T.C. Mabaso	128,851	121,443
Estate Late M.N. Sithole	800	754
Estate late J.P. Sokhela	129,397	121,958
Estate late G. Matotoka	163,714	154,302
Estate late C. Buthelezi	63,533	59,881
Estate late S.I.T. Ndlovu	21,395	20,165
Estate late Z.P. Mthabela	1,049,078	988,763
Estate Late J.B. Sithole	62,210	58,633
Estate late M.M. Mncube	29	27
Estate late S.A. Luthuli	89,764	84,604
Estate late P.T. Majola	107,319	101,149
Estate late J.S. Sithole	88,709	83,609
Estate late L. Mbatha	198,844	187,412
Estate late E.Q. Xaba	286,315	278,800
Estate late X.M. Zimba	47,579	44,844
Estate late L.W. Ndimande	162,688	153,335
Estate late T.A. Malinga	482,875	455,113
Estate late M.J. Ntshaba	803,318	-
Estate late M.V. Buthelezi	1,107,503	-
Estate late D.G. Khoza	446,426	-
	5,673,230	**3,134,284**

Council employees previously had life cover under a Group Life Scheme which was cancelled, however employees now have life cover under Councils Insurance portfolio with Indwe Risk Services.

The trust funds are monies which were recieved from the Group Life Scheme or Councils insurers in respect of employees whom passed away while in service of the municipality.

Employees complete a beneficiary nomination form when they join the Municipality as an employee.

These trust funds represents monies held in trust by the municipality which have not been claimed by the nominated benficiaries.

21. Other accruals

Advance receipts - Transfers	24,290,676	-
Bonus accrual	4,376,720	3,594,022
Leave pay accrual	14,018,417	11,197,755
	42,685,813	**14,791,777**

Other accruals amounts to R42,685,813 and (2015: R14,791,777).

R24,290,676 relates to advance payments received from National Departments. It has not yet been confirmed if the funding is in respect of Drought relief.

22. Consumer deposits

Water	11,885,907	10,473,849

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

22. Consumer deposits (continued)

Represents deposits held by the Municipality paid by water consumers.

23. Revenue

Service charges	158,263,646	131,332,038
Interest received	20,214,647	19,148,562
Other income	3,566,813	3,122,395
Other income - donations	-	6,438,651
Interest received - investment	11,991,453	9,072,588
Government grants & subsidies	568,331,256	607,994,895
	762,367,815	**777,109,129**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	158,263,646	131,332,038
Interest received	20,214,647	19,148,562
Other income	3,566,813	3,122,395
Other income - donations	-	6,438,651
Interest received - investment	11,991,453	9,072,588
	194,036,559	**169,114,234**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	568,331,256	607,994,895

24. Service charges

Sale of water	141,363,201	115,630,813
Sewerage and sanitation charges	16,900,445	15,701,225
	158,263,646	**131,332,038**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
25. Government grants and subsidies		
Operating grants		
Equitable share	309,730,000	286,962,000
Finance Management Grant	1,325,000	1,250,000
EPWP Integrated Grant	2,384,000	3,299,000
KZN Projects	4,867,831	9,446,390
Municipal Systems Improvement Grant	940,000	934,000
ACIP Grant	-	992,435
Water Services Operating Subsidy	3,742,512	9,094,003
	322,989,343	311,977,828
Capital grants		
Regional Bulk Infrastructure Grant	5,927,294	83,741,726
Municipal Infrastructure Grant	181,268,677	199,088,868
Rural Household Infrastructure Grant	5,817,021	6,688,979
Municipal Water infrastructure Grant	50,000,000	4,182,493
sportsfields	33,964	-
Rural Transport Services Plan	2,294,957	2,315,000
	245,341,913	296,017,066
	568,331,256	**607,994,894**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	258,601,256	321,032,894
Unconditional grants received	309,730,000	286,962,000
	568,331,256	**607,994,894**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent consumers.

Indigent consumers received a subsidy of R11,514,916 as at 30 June 2016 which was funded by the grant.

Rural communities received free basic services to the amount of R36,537,546 which was also funded by the grant.

In total R48,052,462 from the equity share allocation was used for the funding of free basic services for the 2015/2016 financial year.

Rural Household Infrastructure

Balance unspent at beginning of year	1,435,021	4,000,000
Current-year receipts	4,382,000	4,124,000
Conditions met - transferred to revenue	(5,817,021)	(6,688,979)
	-	**1,435,021**

Masibumbaneni Co-op

Balance unspent at beginning of year	305,993	305,993
Conditions met - transferred to revenue	(305,993)	-
	-	**305,993**

Municipal Infrastructure Grant

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	21,769,868
Current-year receipts	181,268,677	177,319,000
Conditions met - transferred to revenue	(181,268,677)	(199,088,868)
	-	-
Municipal Water Infrastructure		
Balance unspent at beginning of year	-	2,786,882
Current-year receipts	50,000,000	1,395,611
Conditions met - transferred to revenue	(50,000,000)	(4,182,493)
	-	-
Regional Bulk Infrastructure		
Current-year receipts	30,217,969	83,741,726
Conditions met - transferred to revenue	(5,927,293)	(83,741,726)
Payments received in advance - included in current liabilities in the statement of financial position	(24,290,676)	-
	-	-
Infrastructure Sports Fields		
Balance unspent at beginning of year	33,964	33,964
Conditions met - transferred to revenue	(33,964)	-
	-	**33,964**
LGSETA Grant - Training		
Balance unspent at beginning of year	83,680	59,338
Current-year receipts	281,796	174,114
Conditions met - transferred to revenue	(365,281)	(211,044)
Unspent liability transfered from Local Government SETA Grant in 2014/2015	-	61,272
	195	**83,680**

Conditions still to be met at financial year end - remain liabilities (see note 16).

A business plan and application for roll over has been submitted to treasury.

Water Services Operating Subsidy		
Balance unspent at beginning of year	742,512	836,515
Current-year receipts	3,000,000	9,000,000
Conditions met - transferred to revenue	(3,742,512)	(9,094,003)
	-	**742,512**
IGR Grant		
Balance unspent at beginning of year	98,126	107,850
Conditions met - transferred to revenue	(98,126)	(9,724)
	-	**98,126**
LED Strategic Review		

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	10,734
Conditions met - transferred to revenue	-	(10,734)
	-	-
District Disaster Centre		
Balance unspent at beginning of year	1,393,461	5,009,853
Conditions met - transferred to revenue	(1,393,461)	(3,616,392)
	-	**1,393,461**
KZN Backlog Study		
Balance unspent at beginning of year	14,197	626
Conditions met - transferred to revenue	(14,197)	-
Transfers (consolidation of grants)	-	13,571
	-	**14,197**

The following grants has been consolidated into one, Backlog study R626 - Secreterial MFC R820 - ST Chads Emergency R5,891 and Social Pilot Project R6,860 in 2014/2015.

District Development		
Balance unspent at beginning of year	-	13,921
Conditions met - transferred to revenue	-	(13,921)
	-	-
KZN Integrated Transport Plan		
Balance unspent at beginning of year	-	378,755
Conditions met - transferred to revenue	-	(378,755)
	-	-
KZN Secreterial MFC		
Balance unspent at beginning of year	-	820
Unspent liability has been transfered to the Backlog study grant in 2014/2015	-	(820)
	-	-
KZN St Chads Emergency		
Balance unspent at beginning of year	-	5,891
Unspent liability has been transfered to the Backlog Study Grant in 2014/2015	-	(5,891)
	-	-
KZN Assessment Water Services Delivery Plan		
Balance unspent at beginning of year	-	3,499
Unspent liability has been transfered to Water Infrastructure Maintenance Grant in 2014/2015	-	(3,499)
	-	-
KZN Assessment Water and Electricity		

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	38,927
Unspent liability has been transfered to water Infrastructure Maintenance grant in 2014/2015	-	(38,927)
	-	-
KZN Implement Technical & Scientific Support		
Balance unspent at beginning of year	-	251,231
Conditions met - transferred to revenue	-	(251,231)
	-	-
KZN Water Services Delivery Plan		
Balance unspent at beginning of year	-	35,359
Unspent liability has been transfered to Water Infrastructure Maintenance Grant in 2014/2015	-	(35,359)
	-	-
KZN Capacity Building Water Staff		
KZN WSA Institutional Support		
Balance unspent at beginning of year	-	12,281
Unspent liability has been transfered to Water Infrastructure Maintenance Grant in 2014/2015	-	(12,281)
	-	-
Local Government SETA Grant		
Balance unspent at beginning of year	-	61,272
Unspent liability has been transfered to LGSETA Training Grant in 2014/2015	-	(61,272)
	-	-
Social Pilot Projects		
Balance unspent at beginning of year	-	6,860
Unspent liability has been transfered to Backlog Study Grant in 2014/2015	-	(6,860)
	-	-
KZN Social Emabhekazi		
Balance unspent at beginning of year	-	69,535
Conditions met - transferred to revenue	-	(69,535)
	-	-
KZN Waste Management Plan		
Balance unspent at beginning of year	-	41,053
Conditions met - transferred to revenue	-	(41,053)
	-	-

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

25. Government grants and subsidies (continued)

Conditions still to be met at financial year end - remain liabilities (see note 16).

KZN DPSS Shared Services

Balance unspent at beginning of year	881,034	2,651,524
Current-year receipts	250,000	250,000
Conditions met - transferred to revenue	(679,731)	(2,020,490)
	451,303	**881,034**

Conditions still to be met at financial year end - remain liabilities (see note 16).

A business plan and application for roll over has been submitted to Treasury.

DIMMS Grant Funding

Balance unspent at beginning of year	-	30,120
Conditions met - transferred to revenue	-	(30,120)
	-	-

KZN Environment Management

Balance unspent at beginning of year	61,859	800,874
Conditions met - transferred to revenue	(61,859)	(739,015)
	-	**61,859**

Department Water Affairs

Balance unspent at beginning of year	-	1,140,252
Unspent liability has been transferred to Water Infrastructure Maintenance Grant in 2014/2015	-	(1,140,252)
	-	-

KZN Councillors Training

Balance unspent at beginning of year	-	40,400
Conditions met - transferred to revenue	-	(40,400)
	-	-

KZN Municipal Governance & Admin

Balance unspent at beginning of year	-	47,841
Conditions met - transferred to revenue	-	(47,841)
	-	-

Rural Road Asset Management

Current-year receipts	2,311,000	2,315,000
Conditions met - transferred to revenue	(2,294,957)	(2,315,000)
	16,043	-

Conditions still to be met at financial year end - remain liabilities (see note 16).

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

25. Government grants and subsidies (continued)

A business plan and application for roll over has been sibmitted to Treasury.

Finance Management Grant

Current-year receipts	1,325,000	1,250,000
Conditions met - transferred to revenue	(1,325,000)	(1,250,000)
	-	-

Municipal Systems Improvement Grant

Current-year receipts	940,000	934,000
Conditions met - transferred to revenue	(940,000)	(934,000)
	-	-

EPWP Integrated Grant

Current-year receipts	2,384,000	3,299,000
Conditions met - transferred to revenue	(2,384,000)	(3,299,000)
	-	-

Water Infrastructure Maintenance

Balance unspent at beginning of year	270,417	-
Conditions met - transferred to revenue	(270,417)	(959,901)
Consolidation of grants	-	1,230,318
	-	**270,417**

The following grants has been consolidated into one during the 2014/2015 financial year, (KZN Assessment R3,499 - KZN Assessment water R38,927 - KZN Water Services Delivery R35,359 - KZN Institutional Support R 12,281 - WDA Grant R1,140,252.) totalling R1,230,318.

District Disaster Relief

District Disaster Relief

Balance unspent at beginning of year	-	2,685,000
Conditions met - transferred to revenue	-	(1,006,235)
	-	**1,678,765**

ACIP Grant

Conditions met - transferred to revenue	-	992,435
Reimbursment in respect of the expenditure accrued has not been received at year end	-	(992,435)
	-	-

The ACIP grant is not received up front as is the case with other National transfer, but is received on a reimbursive nature. Once expenditure has accrued it is claimed back from the department. R992,435 has been spent at year end 30 June 2015 however the Municipality has not been reimbursed.

	2016 R	2015 R

25. Government grants and subsidies (continued)

ACIP was raised as a debtor and the total amount spent (R992,435) was included in receivables from non exchange transactions in the statement of financial performance at year end 30 June 2015.

As at 30 June 2016 the expenditure incurred during the 2014/2015 financial year has not been reimbursed and are now funded internally.

This expenditure was transfered to the accumulated surplus account at the end of June 2016..

26. Other revenue

Other income	3,566,813	3,122,395
Other income - donations	-	6,438,651
	3,566,813	**9,561,046**

The donations of R6,438,651 (2014/2015) represents the Bergville sewerage project (WIP) which was donated by Okhahlamba municipality.

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Sundry income	1,052,867	598,273
Donations / sponsorships received	70,000	-
Tender deposits	129,498	164,199
Maps GIS	-	191
Connections water	952,950	1,089,276
Clearance certificates	182,583	169,541
Insurance claims received	6,966	180,526
Connections sewerage	53,608	49,862
Trade effluent income	1,118,117	870,478
Sewer disposal	224	49
Donated assets received from Okhahlamba Municipality - Bergville sewer	-	6,438,651
	3,566,813	**9,561,046**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
27. General expenses		
Advertising	595,112	505,977
Auditors remuneration	2,763,225	2,572,121
Bank charges	748,019	336,466
Cleaning	406,773	202,096
Commission paid	740,911	151,478
Computer expenses	1,809,108	1,442,316
Consulting and professional fees	28,652,869	17,542,674
Consumables	9,943	5,752
Entertainment	741,385	1,269,171
Conferences and seminars	178,567	123,624
IT expenses	1,422,338	405,403
Fleet	257,722	399,703
Magazines, books and periodicals	-	24,846
Medical expenses	89,823	-
Motor vehicle expenses	534,887	738,854
Fuel and oil	10,750,919	9,768,140
Postage and courier	6,861	5,601
Printing and stationery	2,132,973	1,713,307
Protective clothing	1,343,643	467,464
Security (Guarding of municipal property)	312,900	483,200
Subscriptions and membership fees	2,353,307	1,724,793
Telephone and fax	3,074,547	2,528,722
Training	5,610,240	2,542,099
Assets expensed	336,803	11,828,857
Electricity	54,040,050	52,060,544
Water	306,673	26,181
Audit committee	164,744	168,126
Government grant expenditure	60,602,981	51,033,559
Other expenses	38,327,084	20,713,048
	218,314,407	**180,784,122**

Government grant expenditure represents sanitation projects funded by the Municipal Infrastructure Grant (MIG) which does not get capitalized andis not reflected as PPE in the fixed asset register.

Assets expensed relates to expenditure incurred against the capital budget hewever these item are not of a capital nature and has therefore not being capitalised ad are not included in PPE in the Fixed Asset Register.

Consulting and professional fees which are included in general expenditure relates to the following.

Consultants and professional fees		
Legal fees	17,985,250	7,784,668
Professional fees	6,746,252	2,814,638
Asset verification	2,216,500	3,000,000
VAT audit	1,704,867	3,943,368
	28,652,869	**17,542,674**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
28. Employee related costs		
Basic	125,302,321	94,785,679
Bonus	8,027,942	6,735,689
Medical aid - employers contribution	4,326,013	3,748,303
UIF	1,075,154	813,160
SDL	1,626,773	1,235,138
Salga BC	47,152	35,765
Leave pay accrual	2,879,486	1,105,493
Leave pay	1,404,445	1,229,363
Defined contribution plans	563,911	202,287
Travel, motor car, accommodation, subsistence and other allowances	4,389,414	3,967,072
Overtime payments	22,831,139	18,037,650
Car allowance	8,479,749	7,678,906
Housing benefits and allowances	854,580	745,728
Surcharge Pension Fund	16,839,149	12,195,717
Sitting allowances traditional leaders	-	4,500
	198,647,228	**152,520,450**
Remuneration of Municipal Manager		
Annual Remuneration	1,010,892	937,044
Car Allowance	540,000	540,000
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	13,426	12,988
Travelling & subsistance	97,852	63,809
	1,663,955	**1,555,626**

The Municipal Manager was appointed as from 14 August 2013

Remuneration of Chief Finance Officer		
Annual Remuneration	458,251	431,299
Car Allowance	393,109	377,387
Contributions to UIF, Medical and Pension Funds	1,785	1,785
SDL	10,535	10,028
Housing subsidy	280,792	269,562
Travelling & subsistance	131,959	51,216
	1,276,431	**1,141,277**

The Chief Financial Officer was appointed as from 6 January 2014

Remuneration of Manager Technical Services		
Annual Remuneration	934,342	888,809
Car Allowance	135,783	130,351
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Standby allowance	237,761	188,916
SDL	12,807	11,820
Travelling & subsistance	32,208	6,259
	1,354,686	**1,227,940**

The Manager Technical Services was appointed as from 6 February 2012

Remuneration of Executive Director Health and Environmental Services

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
28. Employee related costs (continued)		
Annual Remuneration	724,928	172,069
Car Allowance	270,116	617,101
Contributions to UIF, Medical and Pension Funds	1,872	467
Housing subsidy	9,668	22,088
Back pay	-	1,465,868
SDL	9,507	21,537
Travelling & subsistance	19,374	1,753
	1,035,465	**2,300,883**

The Executive Director Health and Environmental Services was reinstated as from 1 April 2015 as per Labour Court jugement.

Remuneration of Manager Social and Economic Services

Annual Remuneration	1,070,124	1,019,160
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Acting allowance	21,154	-
Travelling & subsistance	78,043	47,746
SDL	10,553	9,834
	1,181,659	**1,078,525**

The Manager Social and Economic services was appointed as from 1 August 2013

Remuneration of Manager Corporate Services

Annual Remuneration	882,637	869,160
Car Allowance	187,487	150,000
Contributions to UIF, Medical and Pension Funds	1,785	1,784
SDL	10,326	9,892
Travelling & subsistance	3,399	1,479
	1,085,634	**1,032,315**

The Manager Corporate Services has been appointed as from 1 July 2013

Remuneration of Manager Water Services

Annual Remuneration	-	509,580
Contributions to UIF, Medical and Pension Funds	-	892
SDL	-	6,156
Leave paid out	-	105,993
	-	**622,621**

The Manager Water Services was appointed as from 1 August 2013 and resigned with effect from 31 December 2014

The position of Manager Technical services and Manager Water Services has been consolidated.

29. Remuneration of councillors

Executive Mayor	590,296	559,522
Deputy Executive Mayor	306,133	207,106
Mayoral Committee Members	904,712	881,247
Speaker	472,235	447,617
Councillors	4,064,822	3,705,931
SDL	42,899	40,264
	6,381,097	**5,841,687**

	2016 R	2015 R

29. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

30. Debt impairment

Debt impairment - Consumer debtors	58,043,036	(67,536,493)
Debts impairment - Sundry Debtors	(67,561)	(3,612,454)
	57,975,475	**(71,148,947)**

The total debt impaiment provision for consumer debtors is R372,374,278 as at 30 June 2015.

The total debt impairment provision for sundry debtors is R698,582 as at 30 June 2015.

The total debt impairment provision for consumer debtors is R430,417,314 as at 30 June 2016.

The total debt impairment provision for sundry debtors is R631,021 as at 30 June 2016.

The total debt impairment provision for consumer debtors increased by R58,043,036 as at 30 June 2016.

The total debt impairment provision for sundry debtors decreased by R67,561 as at 30 June 2016.

31. Investment revenue

Interest revenue		
Interest received - Investments	11,991,453	9,072,588

The amount included in Investment revenue arising from non-exchange transactions amounted to R9,072.588 (2014/2015) and R11,991,453 (2015/2016).

32. Depreciation and amortisation

Property, plant and equipment	49,197,065	45,537,144

Depreciation and amortisation amounted to R45,537,144 at financial year end - 30 June 2015

Depreciation and amortization amounted to R49,197,065 at financial year end - 30 June 2016.

The amount of R49,197,065 in the statemet of financial preformance is made up as follows (R49,112,179 in respect of PPE and R84,886 in respect of intangible assets).

Reference can be made to note 4 and 5.

33. Finance costs

Bank	1,125,317	2,465,418

Total interest expensed on current bank account R2,465,418 (2014/2015) and R1,125,317 (2015/2016).

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

34. Auditors' remuneration

Fees	2,763,225	2,572,121

35. Lease rentals on operating leases

Agreement of Lease - Lessors		
Enambithi Construction - rental offices Ladysmith	6,329,399	5,989,202
Itabiro Investment CC - rental parking space Ladysmith	99,000	231,000
Beukes JC - rental office Colenso	3,150	18,900
Sarjoo VR - Rental office Weenen	23,791	37,502
Rashid Sulemen Trust - rental office Estcourt	-	22,542
Moon Magic Investment - rental office Estcourt	53,361	32,481
October Morn Investments CC	297,000	-
Konica Minolta - rental office machines (photo copiers)	351,097	283,243
	7,156,798	**6,614,870**

The lease agreement with Enambithi Construction CC is for the office space at 36 Lyell Street and 33 Forbes Street and is for the period 1 July 2014 to 30 June 2016.

The lease agreement with Itabiro Investments CC is for a parking area for Council vehicles at 24/28 Murchison Street and was for the period 1 November 2014 to 31 January 2015. Thereafter on a month to month bases and terminated at the end of September 2015.

The lease agreement with Beukes JC was for the satellite office at 63/69 Sir George Street Colenso and was for the period 1 September 2013 to 31 August 2015.

The lease agreement with Sarjoo VR is for the satellite office at Retief Street in Weenen which commenced in January 2005 on a month to month bases and terminated in September 2015. A new contract was entered into for the period October 2015 to September 2018

The lease agreement with Rashid Suleman Trust was for the satellite office at 127 Albert Street Estcourt and was for the period 1 December 2014 to 1 January 2015

Rashid Suleman Trust is now known as Moon Magic Investments (PTY) LTD and the lease agreement is for the satellite office at 127 Albert Street Estcourt and is for the period 1 February 2015 to 31 January 2016 and was renewed for the period 1 February 2016 to 31 January 2017.

The lease agreement with October Morn Investments CC is on a month to month bases and is for parking space at 24-28 Murchison Street which commenced on the 1st of October 2015.

Office equipment is hired from Konica Minolta for a period of 36 months which -started in November 2013 and terminates in October 2016.

Additional office equipment is hired from Konica Minolta for a period of 36 months which started in December 2015 and terminates in November 2018.

Operating lease liabilities		
Rental offices	378,853	634,124

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

36. Contracted services

Water tankering	6,408,620	1,484,200
Plant and equipment hire	6,196,665	7,629,883
Insurance	1,842,859	1,718,029
Chemicals	6,924,667	5,990,617
Security (guarding Municipal property)	13,766,687	12,036,159
Water tankering - Drought relief	30,128,925	10,640,051
	65,268,423	**39,498,939**

The municipality has spent R36,537,545 on water tankering (R6,408,620 and R30,128,925) during the 2015/2016 financial year and R12,124,251 (R1,484,200 and R10,640,051) during the 2014/2015 financial year.

The municipality has spent R24,413,294 more on water tankering during the 2015/2016 financial year as a result of the drought.

The increase is as a result of the drought. Water is supplied to rural communities by means of water tankers. The municipality has a contractual agreement with each service provider.

The amount of R12,036,159 (2014/2015) and R13,766,687 (2015/2016) is in respect of security guards required to guard municipal property which includes the water treatment and waste water treatment plants.

37. Repairs and maintenance

The following repairs and maintenance were performed to maintain municipal assets and were internally funded.

Repairs and maintenance performed on		
Buildings and offices	1,402,364	238,486
Office furniture and equipment	-	4,225
Vehicles	8,021,403	3,380,419
Pipelines and reservoirs	11,699,213	17,279,027
Plant (water treatment and waste water treatment works)	243,380	4,001,008
Pumps	4,913,178	3,798,251
Blue drop and green drop	724,336	5,360,455
Refurbishment of existing schemes	1,733,569	-
Electrical	18,887	372,121
Disaster management vehicle	-	63,415
Repairs to old building	66,059	-
	28,822,389	**34,497,407**

38. Bulk purchases

Water	1,639,239	5,660,554

The Department of Water Affairs bills the municipality for raw water extracted from rivers and dams which is then purified and distributed to the community "consumers"

Payments are made in respect of actual invoices received from DWA.

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
39. Cash generated from operating activities		
Surplus	73,756,115	204,927,026
Adjustments for:		
Depreciation and amortisation	49,197,065	45,537,144
Loss on sale of assets	1,231,708	2,464,113
Debt impairment	57,975,475	(71,148,947)
Changes accumulated surplus	1,306,517	24,469,215
Changes in working capital:		
Increased/ (decrease) in inventories	(329,935)	(628,037)
Increase/ (decrease) Trade and other receivables from exchange transactions	(226,423)	73,138,674
Increase/(decrease) receivables from exchange transactions	(77,247,782)	1,428,101
Increase/ (decrease) other receivables from non-exchange transactions	(197,701)	(605,923)
Donated furniture	465,190	(688,643)
Contributions to provisions - current	(20,183)	(38,541)
Increase/(decrease) in payables from exchange transactions	(62,766,692)	55,940,978
Increase unspent conditional grants and receipts	(6,531,488)	(33,553,009)
Contribution to provisions - non-current	13,944,375	2,227,952
Other financial liabilities	18,762,296	36,042,807
	69,318,537	**339,512,910**

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	268,189,981	194,294,062
Municipal Infrastructure Grant (MIG)		
Driefontein professional fees	2,999,564	15,954,955
Driefontein eastern bulk	-	2,151,024
Bhekuzulu phase 2	-	1,420,126
Bhekuzulu phase 3	-	11,033,545
Bhekuzulu phase 6	-	3,296,998
Bhekuzulu phase 7	28,405,995	-
Bhekuzulu phase 8	31,610,916	-
Bhekuzulu consultant fees	-	20,031,113
Kwanobamba / Ezitendeni consultants	10,437,015	18,207,142
Kwanobamba / Ezitendeni 1A	-	4,585
Kwanobamba / Ezitendeni 1B	2,396,234	8,541,445
Kwanobamba / Ezitendeni 1C	-	153,464
Kwanobamba / Ezitendeni 1E	-	17,196,777
Kwanobamba / Ezitendeni 2A	18,385,004	-
Kwanobamba / Ezitendeni 2C	10,622,179	-
Kwanobamba / Ezitendeni water supply	23,430,127	-
Ntabamhlophe water scheme phase 4	-	149,856
Ntabamhlope water scheme phase 8	-	3,336,967
Ntabamhlope phase 13	12,189,761	-
Ntabamhlope consultants	670,367	4,226,421
Upgrade W & WTP ladysmith & Ezakheni	-	6,661,306
Bergville phase 1	454,185	4,221,987
Bergville phase 2	-	3,727,306
Bergville sewer	84,584	3,622,373
Ezakheni treatment plant	1,136,714	1,136,714
Ezakheni / Emnambithi refurbishment	4,214,311	5,555,385
Ezakheni water reticulation consultants	608,677	851,959
Ezakheni water reticulation	4,092,149	2,932,105
Ezakheni E sanitation	689,326	-
Umhlumayo project	20,666,532	24,777,711
District disaster centre	4,159,533	11,430,355
Archie Rodel Colenso	2,642,866	2,649,145
Rural road asset management	3,809,099	1,930,195
Jononskop community water supply schemem	-	24,794
Kethani refurbishment & upgrade of WWTW	1,351	1,351
Spioenkop to Ladysmith pipeline	1,760,217	213,498
Hopsland to Indaka	-	2,691,961
Moyeni / Zwelisha	2,691,127	180,719
Mimosadale	14,271,734	15,889,719
Winterton water treatment	3,924,798	-
Boreholes drought relief	5,850,729	-
Lombardskop bulk water feeder	46,727,922	-
Whembezi bulk water	8,818,893	-
Mayibuye Consultants	438,072	-
	268,189,981	**194,203,001**
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	7,695	46,815
Other commitements		

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R
40. Commitments (continued)		
Creditors orders issued as at 30 June 2016	7,695	46,815
Total capital commitments		
Already contracted for but not provided for	268,189,981	194,294,062
Not yet contracted for and authorised by accounting officer	7,695	46,815
	268,197,676	**194,340,877**
Authorised operational expenditure		
Already contracted for but not provided for		
• Rental Offices	454,103	2,685,423
• Rental Office Machines	100,099	228,385
• Inkazimulo "professional fees"	3,000,000	-
• Red Spike Security "guarding of Municipal property"	14,245,554	592,000
• Bonakude Consulting "asset verification"	2,200,000	1,207,216
	19,999,756	**4,713,024**
Not yet contracted for and authorised by accounting officer		
• Creditors orders issued as at 30 June 2016	6,080,638	2,608,999
Total operational commitments		
Already contracted for but not provided for	19,999,756	4,713,024
Not yet contracted for and authorised by accounting officer	6,080,638	2,608,999
	26,080,394	**7,322,023**
Total commitments		
Total commitments		
Authorised capital expenditure	268,197,676	194,340,877
Authorised operational expenditure	26,080,394	7,322,023
	294,278,070	**201,662,900**

This committed expenditure relates to property plant and equipmeny as well as operational expenditure and will be financed by Grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	554,201	7,251,695
- in second to fifth year inclusive	33,959	76,128
	588,160	**7,327,823**

Operating lease payments represents;

Rentals payable by the municipality in respect of buildings rented for office space. Leases are negotiated for an average term of three years. No contingent rent is payable.

Parking space for Council vehicles. This is negotiated on a month to month basis.

Office machines rented from Konika Minolta. The rental is negotiated for a term of three years.

Notes to the Unaudited Annual Financial Statements

	2016 R	2015 R

41. Contingencies

Contingent liabilities		
D Kistado	15,240	15,240
Yoob Attorneys (Water and Sanitation Services South Africa (PTY) LTS)	7,447,593	-
AMJ Hlongwane	174,261	174,261
Aurecon	378,607	378,607
J Potgieter	4,534	4,534
Jeffares & Green	576,484	576,484
Nambithi Pumps	5,795,972	2,795,972
Andile Thwala	100,000	100,000
Shepstone & Wylie - Abajabuli Project Services CC	15,190,398	15,190,398
Shepstone & Wylie - A Sewepersad	3,000,000	3,000,000
Shepstone & Wylie - Dass & Associates Attorneys	869,512	869,512
Justin Heunis & Company - RASP Consultants CC	65,857	65,857
	33,618,458	**23,170,865**

The following Contingent Liabilities are being attended to by Councils Legal representative - Ramkhelewan Inc.

D. Kistado - Collison on motorcycle with a surveyors peg - Claim amount R15, 240.00 - The matter was set down for trial and postponed, There is a very good prospect of succeeding with the defence and Council's legal representative believe that the plaintiff's claim should have been against the Emnambithi/Ladysmith Municipality and not Uthukela.

A.M.J. Hlongwane - Eradication of Bucket Latrines in Ekuwukeni "Contract 19/2005" - Claim amount R174, 261.20 The matter has been defended in the High Court and are awaiting for the plaintiff to take the next step. The prospect of success hererin is good and Council's Legal representative suggest that they continue defending the matter.

Aurecon - Consultants fees not paid - Claim amount R378, 606.54 The matter has been defended and must proceed. Prospects of success are good considering previous consultations Councils Legal representative had with S. Mthethwa and B.H. khoza. for now the matter is pending as the plaintiff is negotiating settlement with the Municipality directly

J. Potgieter - burst pipe causing damages to wall and paving - Claim amount R4, 534.10 The matter has been defended and Council's Legal representative is awaiting a trial date. Plaintiff's claim is against the Municipality for damages to his wall and pawing when a water pipe was repaired. Prospects of success are good.

IPTCO - property rates - No claim amount as the plaintive brought an application to reassess the rates amount levied by the municipality on the farm. The matter is current and proceeding to trial. Thusfar there has been no movement by the plaintiff and Councils legal representative is suggesting that we let the matter lie until they make the next move.

Jeffares And Green - Consultant fees in respect of Berville water project - Claim amount R576, 483.75 The matter was set down for trial but removed from the roll as the plaintiff intends amending its papers. Council's Legal representative will inform Council once a new trial date has been set.

Nambithi Pumps - breach of contract - the claim amount increased from R2, 795, 972.00 to R5,795, 972, 000 which is in respect of the cost of the contract and the loss of profit. The plaintiff issued summons based on a breach of contract. The matter is being defended and will proceed to trial.

Andile Thwala - injuries suffered by child - Claim amount R100,000.00 The claim arised from injuries suffered by her child by falling into an exposed manhole. The matter is being defended and the Municipality's Insurers has contacted Councils Legal representative in this regard.

Abajabuli Project Services CC - Claim amount R15, 190, 397.97 - This is a claim brought against the municipailty by Abajabuli Project Services for breach of contract. Pleadings have closed this matter and a Rule 37 conference has been set down for 31 July 2016 before the Judge of the Pietermaritzburg High Court.

Ayoob Attorneys - (Representing (Water and Sanitation Services South Africa (PTY) LTD) - Claim amount R7,447,593 plus interest at 9% per annum - A Court order was issued against the municipality on the 7th of March 2016 in favour of WSSA. The claim is in respect of payments due in respect of services rendered.

	2016 R	2015 R

41. Contingencies (continued)

On the 14th of April 2016 the sherif of the Court issued a notice of attachment and nine municipal vehicles were recorded on the inventory to the amount of R7,498,000.

The municipalities legal respresentative, Shepstone and Wylie has appied for a rescission of jugement. The outcome of the application for rescission is not known yet.

A Sewepersad - Claim amount R3, 000, 000.00 - In this matter a notice was sent to the municipality in terms of Sec 2 of Act 40 of 2002 by Viren Naidoo & Associates advising of their client's claim (A Sewepersad) against the municipality for the sum of R3, 000, 000 arising from the death of his wife and injuries to himself which were allegedly caused when the vehicle they were travelling in plunged into a deep trench which was alledgedly dug by the municipality's employees and was not cordoned off. The minicipality has referred this to its insurers who are in the process of investigating the matter.

Dass & Associates - Claim amount R869, 011.92 - Dass & Associates issued summons against the municipality on the 22nd of December 2014 claiming R869, 511.92 in respect of legal fees which were alleged to have been unpaid by the municipality. This was denied by the municipality and Shepstone & Wylie were instructed to defend the action. No further steps have be taken by Dass & Associates to prosecute the matter futher.

RASP Consultants CC T/A Vivah Technologies - Claim amount R65, 857.23 - Justin Heunis & Co has issued summons on the 18th of June 2015 against the municipality for an outstanding balance of R65, 857.23 due, owing and payable for goods sold, delivered and services rendered.

42. Related parties

Post employment benefit plan for employees of entity and/or other related parties

Keyhealth
Bonitas
Samwumed
Natal Joint Municipal Pension Fund

In respect of a municipality, the accounting authority or all the members (eg. Mayor, Speaker and Council members) and their close family relatives, are related parties of the municipality.

The senior management team of entities across all spheres of government (including the chief executive or permanent head of the entity) also forms part of management.

Key management information

Class	Description	Number
Board members	Executive Committee	4
Senior Management	Municipal Manager - Accounting Officer	1
Senior Management	Chief Financial Officer	1
Senior Management	General Manager Corporate Services	1
Senior Management	General Manager Technical and Infrastructural Services	1
Senior Management	General Manager Municipal Health & Water Services Authority	1
Senior Management	General Manager Social & Economic Services	1
Board Member	Mayor	1
Board Member	Deputy Mayor	1
Board Members	Councillors	23
Board Member	Speaker	1

The remuneration of key management is disclosed in note 28.

43. Prior period errors and restatements

Prior period errors relates to corrections done in the 2015/2016 financial year which relates to the 2014/2015 financial year.

Restatements relates to expenditure which has been moved from one expenditure line item to another to restate the disclosures in the statement of financial performance and statement of financial position for the 2014/2015 financial year.

These corrections resulted in the following adjustments.

Statement of financial position	Audited balance as at 30 June 2015	Prior period errors/adjustments	Sub total	Reclassifications	Restated balance for 2014/2015
Receivables from non exchange transactions	5,765,784	-	5,765,784	61,296	5,827,080
Property plant and equipment	1,777,774,638	7,859,909	1,785,634,547	-	1,785,634,547
Payables from exchange transaction	(149,373,741)	(5,319,791)	(154,693,532)	(61,296)	(154,754,828)
	1,634,166,681	**2,540,118**	**1,636,706,799**	**-**	**1,636,706,799**

Statement of financial performance	Audited balance as at 30 June 2015	Prior period errors/adjustments	Sub totals	Reclasifications	Restated balance as at 30 June 2016
Revenue from service charges	126,221,743	5,110,295	131,332,038	-	131,332,038
Employee related costs	(150,427,087)	(73,518)	(150,500,605)	(2,019,845)	(152,520,450)
remuneration of councillors	(5,795,952)	(45,735)	(5,841,687)	-	(5,841,687)
Depreciation and amortization	(45,064,848)	(472,296)	(45,537,144)	-	(45,537,144)
Lease rentals on operating leases	(6,611,544)	(3,326)	(6,614,870)	-	(6,614,870)
Bad debt written off	(161,257,979)	(5,110,295)	(166,368,274)	-	(166,368,274)
Repairs and maintenance	(25,362,170)	(866,669)	(26,228,839)	(8,268,568)	(34,497,407)
Bulk purchases	(5,304,471)	(356,083)	(5,660,554)	-	(5,660,554)
Contracted services	(27,549,667)	(546,370)	(28,096,037)	(11,402,902)	(39,498,939)
General expenditure	(199,047,347)	(3,428,090)	(202,475,437)	21,691,315	(180,784,122)
Loss on disposal of assets	(2,681,920)	217,807	(2,464,113)	-	(2,464,113)
	(502,881,242)	**(5,574,280)**	**(508,455,522)**	**-**	**(508,455,522)**

Due to prior year adjustments, expenditure incurred in the 2015/2016 financial year, which relates to the 2014/2015 financial year, certain comparative figures have been restated and re classified.

In terms of GRAP 1 and GRAP 3 operational grant expenditure has to be disclosed by nature of expence and therefore has been reclassified.

The effect of the restatements and re classifications are as follows.

Receivables from non exchange transactions increased from R5,765,784 to R5,827,080 (R61,296) in the statement of financial position.

Non-current assets (PPE) increased from R1,777,774,638 to R1,785,634,547 (R7,859,909) in the statement of financial position.

Payables from exchange transactions incresed from R149,373,741 to R154,754,828 (R5,381,087) in the statement of financial position.

Total net assets therefore increased from R1,816,411,020 to R1,818,951,138 (R2,540,118) in the statement of financial performance.

Revenue from service charges increased from R126,221,743 to R131,332,038 (R5,110,295) in the statement of financial performance. This is the result of corrections on consumer debtors account where no readings were taken and faulty meters detected. The municipality is in the process of replacing all the faulty meters.

Employee related costs increased from R150,427,087 to R152,520,450 (R2,093,363) in the statement of financial performance. This is the result of R73,518 (prior year adjustments) and R2,019,845 (re classification of operational grants expenditure).

Remuneration of councillors has increased from R5,795,952 to R5,841,687 (R45,735) in the statement of financial performance. This is the result of prior year adjustments.

Depreciation and amortization has increased from R45,064,848 to R45,537,144 (R472,296) in the statement of financial performance. This is as a result of prior year adjustments.

Lease rentals on operating leases increased from R6,611,544 to R6,614,870 (R3,326) in the statemnent of financial performance. this is as a result of prior year adjustments.

Bad debt written off increased from R161,257,979 to R166,368,274 (R5,110,295) in the statement of financial performance. This is the write off of consumer debtors debt which related to previous financial years recognized as revenue from service charges. It can safely be assumed that this debt will not be recoverred.

Repairs and maintenance increased from R26,362,170 to R34,497,407 (R9,135,237) in the statement of financial performance. This isthe result of R866,669 (prior year adjustments) and R8,268,568 (re classification of operational grant expenditure)

Bulk purchases increased from R5,304,471 to R5,660,554 (R356,083) in the statement of financial performance which is the result of prior year adjustments.

Contracted services increased from R27,549,667, to R39,498,939 (R11,949,272) in the statement of financial performance. This is the result of R546,370 (prior year adjustments) and R11,402,902 (re classification of operational grant expenditure).

General expenditure decreased from R199,047,347 to R180,784,122 (R18,263,225) in the statement of financial position. This is the net result of the following movement.

R5,319,791 in respect of prior year adjustments.

Security services R190,500 has been reclassified as contracted services.

Free basic services (water tankering) R10,640,051 has been reclassified as contracted services.

Operational grant expenditure to the amount of R10,860,764 has been re classified as follows.

R2,019,845 has been re classified as employee related costs in the statement of financial performance.

R8,268,568 has been re classified as repairs and maintenance in the statement of financial performance.

R572,351 has been re classified as contracted services in the statement of financial performance.

The operating surplus for the 2014/2015 financial year has decreased from R210,501,307 to R204,927,027 (R5,574,280).

The re classification of grant expenditure has been affected in the statement of financial performance for the 2015/2016 financial year as well.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The minicipality has adopted and implemented a risk management policy to minimize potential adverse effects on the municipalities financial performance.

44. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Bank balance and cash	36,715,409	145,087,575
Consumer debtors from exchange transactions	143,360,258	124,087,951
Other receivables from exchange transactions	4,398,513	4,172,091
Receivables from non exchange transactions	6,024,781	5,765,784

45. Going concern

Accumulated surplus	1,893,767,521	1,818,951,138

We draw attention to the fact that at June 30, 2016, the municipality had accumulated surplus of R 1,893,767,521 and that the municipality's total assets exceed its liabilites by R 1,893,767,521.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management however acknowleges the the decrease in cash and cash equivelants from R145,087,575 (2014/2015) to R36,715,409 (2015/2016) is a matter of concern and measures have been put in place to turn around the situation.

It must be noted that the drought and related expenditure had the biggest impact on the municipalities cash reserves.

The cost of free basic services (supply of water with water tankers) increased from R12,124,251 (2014/20150 to R36,37,545 (2015/2016) .

Critical senior positions which were vacant were filled during the year and employee related cost increased from R152,520,450 (2014/2015) to R198,647,228 (2015/2016).

The impact of the above on the municipalities cash reserves amounted to R24,413,294 in respect of water tankering and R46,657,154 in respect of employee related cost totalling R71,070,448.

Management has developed a revenue enhancement strategy and is implementing the credit control policy in an effort to improve revenue collection.

Management has also implemented MFMA circular 82 "cost containment measures" in an effort to cut down on operational expenditure.

The Water Services Department has implemented a strategy to cut down on overtime expenses.

Departments have submitted their procurement plans to the SCM unit in order to manage cash outflows.

45. Going concern (continued)

Monthly cash flow projections will be performed and Management will re-asses the municipalities financial position after the first six months of the financial year.

46. Events after the reporting date

No events has been identified at reporting date or after reporting date which will lead to any adjustments to the financial statements.

47. Bad debt written off

Irrecoverable debt written off		
Sundry debtors	-	4,445,493
Consumer debtors	40,227,875	156,812,486
Consumer debtors (revenue understated as at 30 June 2015)	-	5,110,295
	40,227,875	**166,368,274**

Irrecoverable debt in respect of Sundry debtors accounts to the amount of R4,445,493 has been written off during the 2014/2015 financial year. Reference can be made to the Council minutes of the 26th of February 2014 - A5/02/14

Irrecoverable debt in respect of Consumer debtors accounts to the amount of R156,812,486 has been written off during the 2014/2015 financial year. Reference can be made to the Council minutes of the 26th of February 2014 - A12/02/14

Revenue from service charges were understated by an amount of R5,110,295 as at 30 June 2015. This has been corrected and in the statement of pinancial performace it has been restated as R131,332,038 (R126,221,743 plus R5,110,295).

The R5,110,295 has however been written off as it can safely be assumed that the debt will not be recovered.

Irrecoverable debt in respect of consumer debtors accounts to the amount of R40,227,875 has been written off as at 30 June 2016.

The debt written off relates to indigent consumers.

48. Unauthorised expenditure

Reconcilliation of unauthorized expenditure		
Opening balance	89,010,639	9,983,109
Unauthorised expenditure current year	103,840,740	79,027,530
Less: amounts condoned by Council resolution	(89,010,639)	-
	103,840,740	**89,010,639**
Unauthorized expenditure during the 2014/2015 financial year	-	89,010,639
Unauthorized expenditure during the 2015/2016 financial year	103,840,740	-
	103,840,740	**89,010,639**

Unauthorised expenditure R103,840,740 (2015/2016) and R89,010,639 (2014/2015) is the overspending of the total amount appropriated in the municipality's approved budget for the 2015/2016 financial year.

49. Fruitless and wasteful expenditure

Reconcilliation of fruitless and wasteful expenditure		
Opening balance	4,683,751	4,277,878
Less: amounts condoned by Council on 30 June 2016 with Council resolution number A97/06/16	(4,683,751)	-
Fruitless & wasetfull expenditure current year	120,263	405,873
	120,263	**4,683,751**

49. Fruitless and wasteful expenditure (continued)

Eskom	108,183	95,023
South African Revenue Services - SARS	-	213,784
Emnambithi / Ladysmith Municipality	3,788	37,584
Umtshezi Municipality	2,683	11,371
Telkom	5,609	1,855
Natal Joint Municipal Pension Fund	-	3,488
Development Bank of South Africa - DBSA	-	42,768
	120,263	**405,873**

Council has identified fraudulent transactions on the payroll which took place over the period March 2012 to February 2014.

Internal audit has verified the fraudulent transactions which amounts to R4,592,424 in total.

Initially it was 27 employees whom were identified to be involved in these fraudulent activities. All 27 were dismissed.

The employees in question refered the matter to arbitration. All of these cases, except one, have been finalized on the 18th of July 2016 and are still waiting for the outcome of the arbitration hearing.

All cases which has been finalized were in favour of the Municipality.

From the arbitration hearing two cases have been refered to Labour Court.

The date of the hearing was set for the 18th of August 2016.

Council is through a litigation process atempting to recover all moneys.

The amount of R4,592,424 is not included in the carry over amount of R4,683,751 in respect of fruitless and waistfull expenditure from the 2014/2015 financial year.

Fraudulent acticities		
Payroll fraud - March 2012 to February 2014	4,592,424	4,592,424

50. Irregular expenditure

Opening balance	414,125,825	219,054,661
Add: Irregular Expenditure - current year	208,295,314	278,703,735
Less: amounts condoned by Council on 5 June 2015 with Council resolution number A06/06/15)	-	(83,632,571)
Less: amounts condoned by Council on 30 June 2016 with Council resolution number A66/06/16	(414,125,825)	-
	208,295,314	**414,125,825**

50. Irregular expenditure (continued)

Analysis of irregular expenditure per classification

Section 114 Deviations	-	823,017
Section 36 Deviations	3,190,887	5,378,941
Section 32 deviations	20,665,432	89,437,032
Prior year	414,125,825	219,054,661
Current year	208,295,314	278,703,735
Less: Amounts condoned with Council resolutions A06/06/15 and A66/06/16	(414,125,825)	(83,632,571)
	208,295,314	**414,125,825**

Section 114 deviations - If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the Accounting Officer of the municipality or municipal entity must, in writing, notify the Auditor General, the relevant Provincial Treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendations.

Section 36 deviations - The Accounting officer may dispense with the official procurement processes established by the policy and to procure goods or services through any convenient process, which may include direct negotiations, but only in an emergency, if such goods or services are produced or available from a single provider only, for the aquisition of special works of art or historical objects where specifications are difficult to compile, acqisition of animals for zoos and/or nature and game reserves, or in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Section 32 deviations - Regulation 32 of the supply chain management which reads "Procurement of Goods and Services under contract secured by other organs of state" . Only if the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state,
* there is no reason to believe that such contract was not validly procured
* there are demonstrable discount or benefits to do so
* that other organ of state and the provider have consented to such procurement in writing.

Other irregular expenditure		
Non compliance with SCM regulations	79,542,434	182,967,395
Expired contracts	64,912,861	-
Contracts over three years	37,528,939	-
Less than three quotations obtained	2,454,761	97,350
	184,438,995	**183,064,745**

Management went as far back as practically possible to identify irregular expenditure incurred for the disclosure in the financial statements.

Details of irregular expenditure – current year -

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Irregular expenditure for 2011/2012, 2012/2013 and 2013/2014	Council 5 June 2015 (A06/06/15)	83,632,571
Irregular expenditure as at 30 June2015	Council 30 June 2016 (A66/06/16	414,125,825
		497,758,396

50. Irregular expenditure (continued)

Details of irregular expenditure not recoverable (not condoned)

Irregular expenditure		
Irregular expenditure 2015/2016 not condoned	-	208,295,314

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,295,780	1,698,960
Amount paid - current year	(2,295,780)	(1,698,960)
	-	-

The contribution was in respect of annual subscription fees paid to SALGA

Audit fees

Current year subscription / fee	2,431,977	2,572,121
Amount paid - current year	(2,431,977)	(2,572,121)
	-	-

PAYE and UIF

Current year subscription / fee	29,752,647	19,763,208
Amount paid - current year	(29,752,647)	(19,763,208)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	21,165,162	22,267,770
Amount paid - current year	(21,165,162)	(22,267,770)
	-	-

VAT

VAT payable	29,295,512	26,882,368

The Municipality is on a payment bases for VAT purposes. The Municipalities debtors have not paid for services which have been rendered which has resulted in the municipality reporting a VAT payable at year end.

The municipality appointed OMA Charted Accountants to perform a VAT audit from 2009/2010.

All VAT returns for the 2014/2015 financial year have been submitted and the municipality received VAT refunds to the amount of R99,446,020 as at 30 June 2015.

All VAT returns for the 2015/2016 financial year have been submitted and the municipality received VAT refunds to the amount of R34,053,183 as at 30 June 2016.

Councillors' arrear consumer accounts

As at June 30, 2016 there are no Councillors which has arrear consumer accounts.

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

53. Water Losses

Estimated water losses for the year		
Water losses - Quantity (kiloliters)	26,369,801	24,282,885
Water losses - Cost (rands)	153,475,400	122,553,224
	153,475,400	**122,553,224**

Water losses could not be accurately accounted for as the project of installing bulk meters is still in progress.

An independant party, Jeffares & Green Engineering and Environmental Consultants has been approached to obtain the production capacities of the water purification plants.

The estimation of water losses was done by comparing the production capacity of the water purification plants, obtained from Jeffares & Green, against the water consumption billed to consumers for the year.

It is important to recognize that the Municipality is responsible for the supply of purified water to large rural communities / areas were there is no piped water and water is therefore supplied to these areas by means of water tankers.

The municipality has 27 water tankers with the capacity of 15,000 liters each. These water tankers do an avarage of three trips per day supplying water to rural communities were there is no reticulation system.

This relates to (27 x 15,000 x 3 = 1,215,000 liters) of water supplied daily to these communities. As the water for filling up the water tankers are not measured nor billed it is safe to say that this is the biggest contributing factor to the water losses disclosed.

The bulk of the consumers in these rural areas were water is supplied by water tankers qualifies as indigent consumers and are therefore entitled to free basic services.

The Municipality is in the process of installing bulk meters which will enable the Municipality to verify the quantities the Department Of Water Affairs is billing the municipality for and account for water losses more accuratly.

The table below represents the water losses as a percentage of the production capacity of the water purification plants.

	%	%
	79	73

The Municipality also has 41 hired water tankers with a capacity of 10,000 liters each. These water tankers do an avarage of three trips per day which relates to (41 X 10,000 X 3 = 1,230,000 liters of water per day).

The municipality also has 69,738 households which receives free basic water supply at a basic level of service through unmetered communal stand pipes and through unmetered yard connections. Seeing that there are no meters installed to measure the amount of water supply delivered to each household, it is estimated that each household receives 200 liters of water per day. this relates to 5,090,874,000 liters of water over a period of a year. (5,090,874 kiloliters).

The estimation of water tankers (895,425) kiloliters and the unmetered households (5,090,874 kiloliters) equates to 5,986,299 kiloliters of water at R5.820 which represents R34,840,260 per annum.

Should the estimation of water tankers and cummunal standpipes be taken into account when calculating water losses the water losses would be reduces to 20,383,502 kililoters and R118,635,140 for the 2015/2016 financial year.

Water losses would then represent 61% of the production capacity and not 79% as disclosed above.

The hire of additional water tankers is directly related to the current drought.

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	1,037,872	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	31,932,857	18,750	-	(318,000)	-	-	31,633,607	(495,408)	-	-	(969,220)	-	(1,464,628)	30,168,979
	32,970,729	**18,750**	**-**	**(318,000)**	**-**	**-**	**32,671,479**	**(495,408)**	**-**	**-**	**(969,220)**	**-**	**(1,464,628)**	**31,206,851**
Infrastructure														
Water purification	1,374,085,537	3,150,220	-	229,681,264	-	-	1,606,917,021	(212,457,060)	-	-	(33,544,998)	-	(246,002,058)	1,360,914,963
Sewerage purification	157,685,550	525,207	-	-	-	-	158,210,757	(58,286,251)	-	-	(4,438,578)	-	(62,724,829)	95,485,928
	1,531,771,087	**3,675,427**	**-**	**229,681,264**	**-**	**-**	**1,765,127,778**	**(270,743,311)**	**-**	**-**	**(37,983,576)**	**-**	**(308,726,887)**	**1,456,400,891**
Community Assets														

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Fire	810,515	-	-	-	-	-	810,515	(652,465)	-	-	(91,183)	-	(743,648)	66,867
	810,515	-	-	-	-	-	810,515	(652,465)	-	-	(91,183)	-	(743,648)	66,867
Other assets														
General vehicles	46,355,649	2,444,639	(2,934,901)	9,337,089		-	55,202,476	(9,931,215)	1,813,768	(6,694,594)	(9,122,313)		(23,934,354)	31,268,122
Plant & equipment	114,654	-	-	-	-	-	114,654	(72,708)	-	-	(19,471)	-	(92,179)	22,475
Computer Equipment	3,692,690	1,254,091	(437,771)	-	-	-	4,509,010	(2,159,606)	382,896	-	(472,033)	-	(2,268,743)	2,240,267
Furniture & Fittings	2,761,435	1,116,550	(148,600)	-		-	3,729,385	(1,884,642)	133,089	-	(247,693)		(1,999,246)	1,730,139
Office Equipment	1,539,084	539,688	(309,226)	318,000	-	-	2,087,546	(1,072,667)	332,578	-	(206,688)	-	(946,777)	1,140,769
Work in progress	449,988,230	169,211,202	-	(229,681,264)	-	-	389,518,168	-	-	-	-	-	-	389,518,168
Other Assets - Leased	9,337,089	-	-	(9,337,089)	-	-	-	(6,694,594)	-	6,694,594	-	-	-	-
	513,788,831	174,566,170	(3,830,498)	(229,363,264)	-	-	455,161,239	(21,815,432)	2,642,331	-	(10,068,198)	-	(29,241,299)	425,919,940

Uthukela District Municipality
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June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	32,970,729	18,750	-	(318,000)	-	-	32,671,479	(495,408)	-	-	(969,220)		(1,464,628)	31,206,851
Infrastructure	1,531,771,087	3,675,427	-	229,681,264	-	-	1,765,127,778	(270,743,311)	-	-	(37,983,576)	-	(308,726,887)	1,456,400,891
Specialised vehicles	810,515	-	-	-	-	-	810,515	(652,465)	-	-	(91,183)	-	(743,648)	66,867
Other assets	513,788,831	174,566,170	(3,830,498)	(229,363,264)	-	-	455,161,239	(21,815,432)	2,642,331	-	(10,068,198)	-	(29,241,299)	425,919,940
	2,079,341,162	**178,260,347**	**(3,830,498)**	**-**	**-**	**-**	**2,253,771,011**	**(293,706,616)**	**2,642,331**	**-**	**(49,112,177)**	**-**	**(340,176,462)**	**1,913,594,549**
Agricultural/Biological assets														
Intangible assets														
Computer software	297,957	543,600	(43,543)	-	-	-	798,014	(59,755)	-	-	(84,885)	-	(144,640)	653,374
	297,957	**543,600**	**(43,543)**	**-**	**-**	**-**	**798,014**	**(59,755)**	**-**	**-**	**(84,885)**	**-**	**(144,640)**	**653,374**
Investment properties														
Total														
Land and buildings	32,970,729	18,750	-	(318,000)	-	-	32,671,479	(495,408)	-	-	(969,220)	-	(1,464,628)	31,206,851
Infrastructure	1,531,771,087	3,675,427	-	229,681,264	-	-	1,765,127,778	(270,743,311)	-	-	(37,983,576)	-	(308,726,887)	1,456,400,891
Specialised vehicles	810,515	-	-	-	-	-	810,515	(652,465)	-	-	(91,183)	-	(743,648)	66,867
Other assets	513,788,831	174,566,170	(3,830,498)	(229,363,264)	-	-	455,161,239	(21,815,432)	2,642,331	-	(10,068,198)	-	(29,241,299)	425,919,940
Intangible assets	297,957	543,600	(43,543)	-	-	-	798,014	(59,755)	-	-	(84,885)	-	(144,640)	653,374
	2,079,639,119	**178,803,947**	**(3,874,041)**	**-**	**-**	**-**	**2,254,569,025**	**(293,766,371)**	**2,642,331**	**-**	**(49,197,062)**	**-**	**(340,321,102)**	**1,914,247,923**

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June 2016

Analysis of property, plant and equipment as at 1 July 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	1,037,872	-	-	-	-	-	1,037,872	-	-	-	-	-	-	1,037,872
Buildings (Separate for AFS purposes)	1,932,857	30,000,000	-	-	-	-	31,932,857	(416,663)	-	-	(78,745)	-	(495,408)	31,437,449
	2,970,729	30,000,000	-	-	-	-	32,970,729	(416,663)	-	-	(78,745)	-	(495,408)	32,475,321
Infrastructure														
Water purification	1,269,559,885	107,323,504	(2,797,852)	-	-	-	1,374,085,537	(182,345,263)	1,604,519	-	(31,716,378)	-	(212,457,122)	1,161,628,415
Sewerage purification	158,193,050	-	(507,500)	-	-	-	157,685,550	(52,526,130)	358,561	-	(6,118,622)	-	(58,286,191)	99,399,359
	1,427,752,935	107,323,504	(3,305,352)	-	-	-	1,531,771,087	(234,871,393)	1,963,080	-	(37,835,000)	-	(270,743,313)	1,261,027,774
Community Assets														
Fire, safety & emergency	810,515	-	-	-	-	-	810,515	(581,545)	-	-	(70,920)	-	(652,465)	158,050
	810,515	-	-	-	-	-	810,515	(581,545)	-	-	(70,920)	-	(652,465)	158,050

Uthukela District Municipality
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Appendix B
June 2016

Analysis of property, plant and equipment as at 1 July 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
General vehicles	16,234,287	31,066,719	(945,357)	-	-	-	46,355,649	(4,752,986)	870,972	-	(6,049,201)	-	(9,931,215)	36,424,434
Plant & equipment	415,404	-	(300,750)	-	-	-	114,654	(250,332)	199,899		(22,275)		(72,708)	41,946
Computer Equipment	4,735,201	1,005,557	(2,048,068)	-	-	-	3,692,690	(2,899,366)	1,213,545	-	(473,782)	-	(2,159,603)	1,533,087
Furniture & Fittings	2,397,531	567,719	(203,815)	-	-	-	2,761,435	(1,749,663)	136,226	-	(271,205)	-	(1,884,642)	876,793
Office Equipment	1,476,168	403,287	(340,371)	-	-	-	1,539,084	(1,013,963)	223,522	-	(282,226)	-	(1,072,667)	466,417
Radio equipment	86,560	-	(86,560)	-	-	-	-	(81,150)	81,150	-	-	-	-	-
Lawnmowers	1,275	-	(1,275)	-	-	-	-	(1,148)	1,148				-	
Other Water	2,000	-	(2,000)	-		-	-	(1,620)	1,620		-		-	-
Work in progress	311,652,883	249,456,332	-	(111,120,985)	-	-	449,988,230	-	-	-	-	-	-	449,988,230
Other Assets - Leased	9,337,089	-	-	-	-	-	9,337,089	(5,300,460)	-	-	(1,394,134)	-	(6,694,594)	2,642,495
	346,338,398	282,499,614	(3,926,196)	(111,120,985)	-	-	513,788,831	(16,050,688)	2,728,082	-	(8,492,823)	-	(21,815,429)	491,973,402

Uthukela District Municipality
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Appendix B
June 2016

Analysis of property, plant and equipment as at 1 July 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	2,970,729	30,000,000	-	-	-	-	**32,970,729**	(416,663)	-	-	(78,745)	-	**(495,408)**	32,475,321
Infrastructure	1,427,752,935	107,323,504	(3,305,352)	-	-	-	**1,531,771,087**	(234,871,393)	1,963,080	-	(37,835,000)	-	**(270,743,313)**	1,261,027,774
Community Assets	810,515	-	-	-	-	-	**810,515**	(581,545)	-	-	(70,920)	-	**(652,465)**	158,050
Other assets	346,338,398	282,499,614	(3,928,196)	(111,120,985)	-	-	**513,788,831**	(16,050,688)	2,728,082	-	(8,492,823)	-	**(21,815,429)**	491,973,402
	1,777,872,577	**419,823,118**	**(7,233,548)**	**(111,120,985)**	-	-	**2,079,341,162**	**(251,920,289)**	**4,691,162**	-	**(46,477,488)**	-	**(293,706,615)**	**1,785,634,547**
Intangible assets														
Computer software	120,122	177,835	-	-	-	-	**297,957**	(11,252)	-	-	(48,503)	-	**(59,755)**	238,202
	120,122	**177,835**	-	-	-	-	**297,957**	**(11,252)**	-	-	**(48,503)**	-	**(59,755)**	**238,202**
Total														
Land and buildings	2,970,729	30,000,000	-	-	-	-	**32,970,729**	(416,663)	-	-	(78,745)	-	**(495,408)**	32,475,321
Infrastructure	1,427,752,935	107,323,504	(3,305,352)	-	-	-	**1,531,771,087**	(234,871,393)	1,963,080	-	(37,835,000)	-	**(270,743,313)**	1,261,027,774
Community Assets	810,515	-	-	-	-	-	**810,515**	(581,545)	-	-	(70,920)	-	**(652,465)**	158,050
Other assets	346,338,398	282,499,614	(3,928,196)	(111,120,985)	-	-	**513,788,831**	(16,050,688)	2,728,082	-	(8,492,823)	-	**(21,815,429)**	491,973,402
Intangible assets	120,122	177,835	-	-	-	-	**297,957**	(11,252)	-	-	(48,503)	-	**(59,755)**	238,202
	1,777,992,699	**420,000,953**	**(7,233,548)**	**(111,120,985)**	-	-	**2,079,639,119**	**(251,931,541)**	**4,691,162**	-	**(46,525,991)**	-	**(293,766,370)**	**1,785,872,749**

Uthukela District Municipality
Appendix D
June 2016

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
47,667,589	35,481,016	12,186,573	Executive & Council/Mayor and Council	49,737,507	68,231,479	(18,493,972)
257,731,606	199,364,893	58,366,713	Finance & Admin/Finance	275,447,883	219,425,027	56,022,856
5,319,490	25,929,863	(20,610,373)	Planning and Development/Economic Development/Plan	3,063,731	30,562,519	(27,498,788)
-	15,624,644	(15,624,644)	Health/Clinics	-	18,714,103	(18,714,103)
157,020,211	220,428,896	(63,408,685)	Water/Water Distribution	196,249,733	302,253,704	(106,003,971)
467,738,896	**496,829,312**	**(29,090,416)**		**524,498,854**	**639,186,832**	**(114,687,978)**
			Municipal Owned Entities			
			Other charges			
467,738,896	496,829,312	(29,090,416)	Municipality	524,498,854	639,186,832	(114,687,978)
467,738,896	**496,829,312**	**(29,090,416)**	**Total**	**524,498,854**	**639,186,832**	**(114,687,978)**

Uthukela District Municipality
Appendix E(1)
June 2016

Yearly

	Forecast # 1 2016 Adjusted budget Rand	Forecast # 1 2016 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	165,108,000	158,263,646	6,844,354	4.3	As a result of revenue foregone (free basic services) indigent subsidies
Interest earned external - investments	10,010,000	11,991,453	(1,981,453)	(16.5)	Interest earned on surplus cash being invested
Interest earned - outstanding debtors	26,568,000	20,214,647	6,353,353	31.4	Budget not realized due to indigent subsidies and writing off of indigent debt
Transfers recognized - operational	314,628,000	322,989,343	(8,361,343)	(2.6)	100% expenditure on grants which includes carry overs from the 2014/2015 financial year
Transfer regognized - capital	237,940,000	245,341,913	(7,401,913)	(3.0)	100% expenditure on grants which includes carry overs from the 2014/2015 financial year
Other revenue	356,000	3,566,813	(3,210,813)	(90.0)	Other income was not accurately budgeted for
	754,610,000	762,367,815	(7,757,815)	(1.0)	
Expenses					
Personnel	(219,377,000)	(198,647,228)	(20,729,772)	10.4	Critical position were filled towards the second half of the year
Remuneration of councillors	(6,146,000)	(6,381,097)	235,097	(3.7)	Councillors back pay in term of Government notice on Coiuncillors upper limitd dated December 2015
Depreciation	(51,431,000)	(49,197,065)	(2,233,935)	4.5	Depreciation of PPE was over provided for
Impairments	-	(57,975,475)	57,975,475	(100.0)	Provision for bad debt budget is included in budget for general expenditure
Finance costs	-	(1,125,317)	1,125,317	(100.0)	Bank charges is included in budget for general expenditure
Bad debts written off	(28,222,000)	(40,227,875)	12,005,875	(29.8)	Write of of indigent consumer debt was under budgeted for
Lease rentals on operating leases	-	(7,156,798)	7,156,798	(100.0)	Budget in included in budget for general expenditure
Repairs and maintenance - General	(41,605,000)	(28,822,389)	(12,782,611)	44.3	Underspending on maintenance and repairs
Bulk purchases	(5,535,000)	(1,639,239)	(3,895,761)	237.7	Actual invoices paid submitted by DWA
Contracted Services	(46,234,000)	(65,268,423)	19,034,423	(29.2)	Budget has been overspent due to more water tankers being contracted as a result of the drought
General Expenses	(172,360,000)	(218,314,407)	45,954,407	(21.0)	Grant expenditure on operating grants now disclosed per expenditure line item

Uthukela District Municipality
Appendix E(1)
June 2016

Yearly

	Forecast # 1 2016 Adjusted budget	Forecast # 1 2016 Act. Bal.	Variance		Explanation of Significant Variances greater than 10% versus Budget
	(570,910,000)	(674,755,313)	103,845,313	(15.4)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	(1,231,708)	1,231,708	(100.0)	Loss on disposal of assets
Inventories losses/write-downs	-	(344,075)	344,075	(100.0)	Inventory losses recognized with stock taking as at 30 June 2016
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	
Gain (Loss) on actuarial valuations	-	(12,280,604)	12,280,604	(100.0)	Gain on Medical aid post retirement benefit obligation
	-	(13,856,387)	13,856,387	(100.0)	
Net surplus/ (deficit) for the year	183,700,000	73,756,115	109,943,885	149.1	